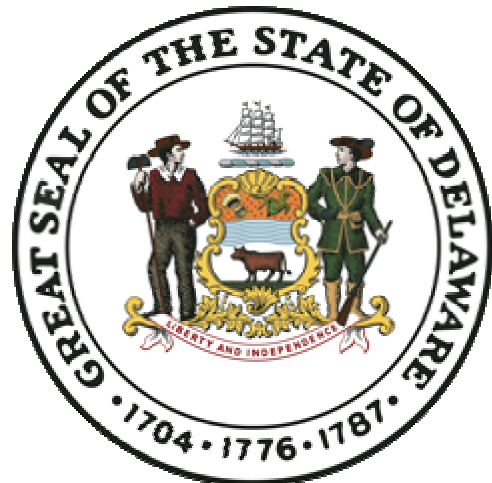


DE
L
A
W
A
R
E

INFORMATION ON FEDERAL AWARDS
IN ACCORDANCE WITH
OMB CIRCULAR A-133

JUNE 30, 2007

(With Independent Auditors' Report Thereon)



STATE OF DELAWARE

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	1
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	19
Schedule of Expenditures of Federal Awards, Year ended June 30, 2007	21
Notes to Schedule of Expenditures of Federal Awards	32
Schedule of Findings and Questioned Costs, Year ended June 30, 2007	
Section 1: Summary of Auditors' Results	33
Section 2: Financial Statement Findings	48
Section 3: Federal Award Findings and Questioned Costs	60
Matrix of Findings by Federal Agency	181



**STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS**

**Independent Auditors' Report on Compliance With Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The Honorable Governor and
Honorable Members of the State Legislature
The State of Delaware:

Compliance

We have audited the compliance of the State of Delaware (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2007. Our audit, described below, did not include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, Riverfront Development Corporation, Delaware Technical and Community College (DTCC) Foundation, and the Charter Schools because either other auditors were engaged to perform audits in accordance with OMB Circular A-133 for these entities, or because more than \$500,000 in federal awards were not expended.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below, nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These program compliance requirements are:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Services for Children, Youth, and Their Families	93.658	Foster Care - Title IV-E	All	07-CYF-01
Department of Health and Social Services - Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	07-DPH-07

As described in the accompanying schedule of findings and questioned costs, the State did not comply with certain requirements that are applicable to its Centers for Disease Control and Prevention, Investigations, and Technical Assistance program. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to this program. The program compliance requirements were:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Equipment and Real Property Management	07-DPH-04
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs (Effort Reporting)	07-DPH-08
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs	07-DPH-09

Also, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major programs. The specific instances of noncompliance are identified and described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs (Effort Reporting)	07-AGI-01
	93.667	Social Services Block Grant		
Department of Elections - Commissioner of Elections	90.401	Election Reform Payments	Procurement, Suspension and Debarment	07-COE-02
Department of Safety and Homeland Security - Delaware Emergency Management Agency	97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	Subrecipient Monitoring	07-DEM-01
	16.007, 97.004, 97.067	Homeland Security Cluster		
Department of Safety and Homeland Security - Delaware Emergency Management Agency	16.007, 97.004, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	07-DEM-03
Department of Natural Resources and Environmental Control	97.029	Flood Mitigation Assistance	Subrecipient Monitoring	07-DNR-01
Department of Health and Social Services - Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs (Effort Reporting)	07-DPH-01
	93.268	Immunization Grants		
	93.917	HIV Care Formula Grants		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Social Services	93.667	Social Services Block Grant	Period of Availability	07-DSS-01
Department of Health and Social Services - Division of Social Services	93.558	Temporary Assistance for Needy Families	Reporting, Level of Effort	07-DSS-02
	93.596	Child Care Cluster		
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs (Effort Reporting)	07-ED-04
	84.367	Improving Teacher Quality State Grants		
	84.010	Title I Grants to Local Educational Agencies		
	84.027, 84.173	Special Education Cluster		
Office of Management and Budget	64.005	Grants to States for Construction of State Home Facilities	Davis-Bacon Act	07-OMB-01
Department of Health and Social Services - Division of State Service Centers	93.568	Low-Income Home Energy Assistance Program	Subrecipient Monitoring	07-SSC-01

In our opinion, because of the effects of the noncompliance described in the second preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that are applicable to the Centers for Disease Control and Prevention, Investigations, and Technical Assistance program. Also, in our opinion, except for the noncompliance identified in the preceding paragraph and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements identified in the third preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Subrecipient Monitoring	07-AGI-02
Criminal Justice Council	16.575	Crime Victim Assistance	Allowable Costs (Effort Reporting)	07-CJC-01
Department of Elections - Commissioner of Elections	90.401	Election Reform Payments	Reporting	07-COE-03
Department of Safety and Homeland Security - Delaware Emergency Management Agency	97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	Suspension and Debarment	07-DEM-02
Department of Safety and Homeland Security - Delaware Emergency Management Agency	16.007, 97.004, 97.067	Homeland Security Cluster	Equipment and Real Property Management	07-DEM-04
Department of Health and Social Services	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Cash Management	07-DHSS-01
	93.268	Immunization Grants		
	93.558	Temporary Assistance for Needy Families		
	93.568	Low-Income Home Energy Assistance Program		
	93.596	Child Care Cluster		
	93.667	Social Services Block Grant		
	93.917	HIV Care Formula Grants		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services	93.044, 93.045, 93.053	Aging Cluster	Cash Management	07-DHSS-01 (continued)
	66.468	Capitalization Grants for Drinking Water State Revolving Funds		
	93.563	Child Support Enforcement		
	93.767	State Children's Health Insurance Program		
	93.959	Block Grants for Prevention and Treatment of Substance Abuse		
	10.551, 10.561	Food Stamp Cluster		
	93.775, 93.777, 93.778	Medical Assistance Cluster		
Department of Health and Social Services	93.558	Temporary Assistance for Needy Families	Allowable Costs	07-DHSS-02
	93.596	Child Care Cluster		
	93.667	Social Services Block Grant		
	93.767	State Children's Health Insurance Program		
	10.551, 10.561	Food Stamp Cluster		
	93.775, 93.777, 93.778	Medical Assistance Cluster		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	07-DMMA-02
Department of Health and Social Services - Division of Medicaid and Medical Assistance	93.558	Temporary Assistance for Needy Families	Eligibility	07-DMMA-03
	93.596	Child Care Cluster		
	93.775, 93.777, 93.778	Medical Assistance Cluster		
Department of Natural Resources and Environmental Control	97.029	Flood Mitigation Assistance	Reporting	07-DNR-02
Department of Labor	17.258, 17.259, 17.260	WIA Cluster	Allowable Costs (Effort Reporting)	07-DOL-01
Department of Transportation	20.205	Highway Planning and Construction Cluster	Cash Management	07-DOT-01
Department of Health and Social Services - Division of Public Health	66.468	Capitalization Grants for Drinking Water State Revolving Funds	Allowable Costs/Allowable Activities	07-DPH-02
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Davis-Bacon Act	07-DPH-03
Department of Health and Social Services - Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Suspension and Debarment	07-DPH-05

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services - Division of Public Health	93.268	Immunization Grants	Reporting	07-DPH-06
Department of Safety and Homeland Security - Delaware State Police	16.710	Public Safety Partnership and Community Policing Grants	Equipment and Real Property Management	07-DSP-01
Department of Health and Social Services - Division of Social Services	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions (Child Support Non-Cooperation)	07-DSS-04
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.038, 84.063, 84.376	Student Financial Assistance Cluster	Special Tests and Provisions (Disbursements To or On Behalf of Students)	07-DTC-02
Department of Education	84.287	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	07-ED-01
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs (Effort Reporting)	07-ED-02
	84.367	Improving Teacher Quality State Grants		
	84.027, 84.173	Special Education Cluster		
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs	07-ED-03
	84.367	Improving Teacher Quality State Grants		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Education	84.010	Title I Grants to Local Educational Agencies	Allowable Costs	07-ED-03 (continued)
	84.027, 84.173	Special Education Cluster		
	84.287	Twenty-First Century Community Learning Centers		
Department of Education	84.048	Vocational Education - Basic Grants to States	Procurement	07-ED-05
Department of Education	84.010	Title I Grants to Local Educational Agencies	Allowable Costs	07-ED-06
Department of Health and Social Services - Division of Substance Abuse and Mental Health	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Special Tests and Provisions (Independent Peer Review)	07-SAM-01
Department of Health and Social Services - Division of Substance Abuse and Mental Health	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs	07-SAM-02

Internal Control over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified below to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified below, we consider the items identified below by an asterisk (*) to be material weaknesses.

Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services - Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs (Effort Reporting)	07-AGI-01	*
	93.667	Social Services Block Grant			
Department of Health and Social Services - Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Subrecipient Monitoring	07-AGI-02	
Criminal Justice Council	16.575	Crime Victim Assistance	Allowable Costs (Effort Reporting)	07-CJC-01	
Department of Elections - Commissioner of Elections	90.401	Election Reform Payments	Allowable Costs	07-COE-01	
Department of Elections - Commissioner of Elections	90.401	Election Reform Payments	Procurement, Suspension and Debarment	07-COE-02	*
Department of Elections - Commissioner of Elections	90.401	Election Reform Payments	Reporting	07-COE-03	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services - Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Paternity and Support Obligations), Special Tests and Provisions (Medical Support Obligations)	07-CSE-01	*
Department of Services for Children, Youth, and Their Families	93.658	Foster Care – Title IV-E	Eligibility (Provider Approval)	07-CYF-02	
Department of Safety and Homeland Security - Delaware Emergency Management Agency	97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	Subrecipient Monitoring	07-DEM-01	*
	16.007, 97.004, 97.067	Homeland Security Cluster			
Department of Safety and Homeland Security - Delaware Emergency Management Agency	97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	Suspension and Debarment	07-DEM-02	
Department of Safety and Homeland Security - Delaware Emergency Management Agency	16.007, 97.004, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	07-DEM-03	*
Department of Safety and Homeland Security - Delaware Emergency Management Agency	16.007, 97.004, 97.067	Homeland Security Cluster	Equipment and Real Property Management	07-DEM-04	
Department of Health and Social Services	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Cash Management	07-DHSS-01	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services	93.268	Immunization Grants	Cash Management	07-DHSS-01 (continued)
	93.558	Temporary Assistance for Needy Families		
	93.568	Low-Income Home Energy Assistance Program		
	93.596	Child Care Cluster		
	93.667	Social Services Block Grant		
	93.917	HIV Care Formula Grants		
	93.044, 93.045, 93.053	Aging Cluster		
	66.468	Capitalization Grants for Drinking Water State Revolving Funds		
	93.563	Child Support Enforcement		
	93.767	State Children's Health Insurance Program		
	93.959	Block Grants for Prevention and Treatment of Substance Abuse		
	10.551, 10.561	Food Stamp Cluster		
	93.775, 93.777, 93.778	Medical Assistance Cluster		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services	93.558	Temporary Assistance for Needy Families	Allowable Costs	07-DHSS-02	
	93.596	Child Care Cluster			
	93.667	Social Services Block Grant			
	93.767	State Children's Health Insurance Program			
	10.551, 10.561	Food Stamp Cluster			
	93.775, 93.777, 93.778	Medical Assistance Cluster			
Department of Health and Social Services - Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs	07-DMMA-01	
Department of Health and Social Services - Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	07-DMMA-02	
Department of Health and Social Services - Division of Medicaid and Medical Assistance	93.558	Temporary Assistance for Needy Families	Eligibility	07-DMMA-03	
	93.596	Child Care Cluster			
	93.775, 93.777, 93.778	Medical Assistance Cluster			
Department of Natural Resources and Environmental Control	97.029	Flood Mitigation Assistance	Subrecipient Monitoring	07-DNR-01	*
Department of Natural Resources and Environmental Control	97.029	Flood Mitigation Assistance	Reporting	07-DNR-02	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Labor	17.258, 17.260	WIA Cluster	Allowable Costs (Effort Reporting)	07-DOL-01	
Department of Transportation	20.205	Highway Planning and Construction Cluster	Cash Management	07-DOT-01	
Department of Health and Social Services - Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs (Effort Reporting)	07-DPH-01	*
	93.268	Immunization Grants			
	93.917	HIV Care Formula Grants			
Department of Health and Social Services - Division of Public Health	66.468	Capitalization Grants for Drinking Water State Revolving Funds	Allowable Costs/Allowable Activities	07-DPH-02	
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Davis-Bacon Act	07-DPH-03	
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Equipment and Real Property Management	07-DPH-04	*
Department of Health and Social Services - Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	07-DPH-07	*

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs (Effort Reporting)	07-DPH-08	*
Department of Health and Social Services - Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs	07-DPH-09	*
Department of Health and Social Services - Division of Social Services	93.667	Social Services Block Grant	Period of Availability	07-DSS-01	*
Department of Health and Social Services - Division of Social Services	93.558	Temporary Assistance for Needy Families	Reporting, Level of Effort	07-DSS-02	*
	93.596	Child Care Cluster			
Department of Health and Social Services - Division of Social Services	93.767	State Children's Health Insurance Program	Eligibility	07-DSS-03	
Department of Health and Social Services - Division of Social Services	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions (Child Support Non-Cooperation)	07-DSS-04	
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.038, 84.063, 84.376	Student Financial Assistance Cluster	Eligibility	07-DTC-01	
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.038, 84.063, 84.376	Student Financial Assistance Cluster	Special Tests and Provisions (Disbursements To or On Behalf of Students)	07-DTC-02	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Education	84.287	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	07-ED-01	
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs (Effort Reporting)	07-ED-02	
	84.367	Improving Teacher Quality State Grants			
	84.027, 84.173	Special Education Cluster			
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs	07-ED-03	
	84.367	Improving Teacher Quality State Grants			
	84.010	Title I Grants to Local Educational Agencies			
	84.027, 84.173	Special Education Cluster			
	84.287	Twenty-First Century Community Learning Centers			
Department of Education	84.048	Vocational Education - Basic Grants to States	Allowable Costs (Effort Reporting)	07-ED-04	*
	84.367	Improving Teacher Quality State Grants			
	84.010	Title I Grants to Local Educational Agencies			

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Education	84.027, 84.173	Special Education Cluster	Allowable Costs (Effort Reporting)	07-ED-04 (continued)	*
Department of Education	84.048	Vocational Education - Basic Grants to States	Procurement	07-ED-05	
Department of Education	84.010	Title I Grants to Local Educational Agencies	Allowable Costs	07-ED-06	
Office of Management and Budget	64.005	Grants to States for Construction of State Home Facilities	Davis-Bacon Act	07-OMB-01	*
Department of Health and Social Services - Division of Substance Abuse and Mental Health	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Special Tests and Provisions (Independent Peer Review)	07-SAM-01	
Department of Health and Social Services - Division of Substance Abuse and Mental Health	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs	07-SAM-02	
Department of Health and Social Services - Division of State Service Centers	93.568	Low-Income Home Energy Assistance Program	Subrecipient Monitoring	07-SSC-01	*

The State's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the State's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is public record and its distribution is not limited.

A handwritten signature in blue ink, reading "R. Thomas Wagner, Jr.", with a stylized, flowing script.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

February 29, 2008



**STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS**

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of Delaware (the Schedule) as of and for the year ended June 30, 2007. This Schedule is the responsibility of the State of Delaware's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the Schedule, the Schedule does not include expenditures of federal awards for programs administered by Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools. These entities may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

As described in note 2, the Schedule is prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Delaware, as described above, for the year ended June 30, 2007, on the basis of accounting described in note 2.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is public record and its distribution is not limited.

A handwritten signature in blue ink, reading "R. Thomas Wagner, Jr.", with a stylized, flowing script.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

February 29, 2008

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
U.S. Department of Agriculture			
Uncataloged Program	10.000		\$ 43,517
Plant and Animal Disease, Pest Control, and Animal Care	10.025		455,322
<i>Pass-through from Maryland Department of Agriculture</i>		N5051706	6,461
Wildlife Services	10.028		70,479
Conservation Reserve Program	10.069		32,283
Federal-State Marketing Improvement Program	10.156		6,100
Market Protection and Promotion	10.163		12,580
Sustainable Agriculture Research and Education	10.215		
<i>Pass-through from University of Vermont</i>		N5013101	15,938
Crop Insurance Education in Targeted States	10.456		82,028
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		469,188
Meat, Poultry, and Egg Products Inspection	10.477		31,620
Food Donation	10.550		2,177,074
Food Stamp Cluster			
Food Stamps	10.551		73,285,249
State Administrative Matching Grants for Food Stamp Program	10.561		8,881,591
Total Food Stamp Cluster			82,166,840
Child Nutrition Cluster			
School Breakfast Program	10.553		20,392,940
National School Lunch Program	10.555		3,076,782
Special Milk Program for Children	10.556		6,109
Summer Food Service Program for Children	10.559		1,355,109
Total Child Nutrition Cluster			24,830,940
Special Supplemental Nutrition Program for Women, Infants & Children	10.557		12,406,750
Child and Adult Care Food Program	10.558		10,973,669
State Administrative Expenses for Child Nutrition	10.560		378,705
Emergency Food Assistance Cluster			
Emergency Food Assistance Program (Administrative Costs)	10.568		117,483
Emergency Food Assistance Program (Food Commodities)	10.569		444,729
Total Emergency Food Assistance Cluster			562,212
Cooperative Forestry Assistance	10.664		554,485
Rural Development, Forestry, and Communities	10.672		3,750
Forest Legacy Program	10.676		2,985,359
Forest Land Enhancement Program	10.677		51,742
Forest Stewardship Program	10.678		891
Rural Business Enterprise Grants	10.769		20,650
Farm and Ranch Lands Protection Program	10.913		4,763,998
Wildlife Habitat Incentive Program	10.914		146,703
Technical Agricultural Assistance	10.960		
<i>Pass-through from University of Delaware</i>		N6101101	39,047
Total U.S. Department of Agriculture			143,288,332

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
U.S. Department of Commerce			
Anadromous Fish Conservation Act Program	11.405		47,620
Coastal Zone Management Administration Awards	11.419		3,438,729
<i>Pass-through from Delaware Estuary, Inc.</i>		N6083101	50,000
Coastal Zone Management Estuarine Research Reserves	11.420		456,903
Marine Mammal Data Program	11.439		24,075
Unallied Science Program	11.472		244,618
Atlantic Coastal Fisheries Cooperative Management Act	11.474		154,939
Total U.S. Department of Commerce			4,416,885
U.S. Department of Defense			
Uncataloged Program	12.000		156,144
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		64,194
National Guard Military Operations and Maintenance (O&M) Projects	12.401		8,683,968
Total U.S. Department of Defense			8,904,306
U.S. Department of Housing and Urban Development			
Supportive Housing Program	14.235		1,533,212
Fair Housing Assistance Program - State and Local	14.401		140,436
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900		954,348
Total U.S. Department of Housing and Urban Development			2,627,996
U.S. Department of the Interior			
Uncataloged Program	15.000		7,733
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605		2,087,264
Wildlife Restoration	15.611		1,372,029
Total Fish and Wildlife Cluster			3,459,292
Cooperative Endangered Species Conservation Fund	15.615		66,961
Clean Vessel Act	15.616		28,368
North American Wetlands Conservation Fund	15.623		16,988
Wildlife Conservation and Restoration	15.625		27,654
Landowner Incentive	15.633		167,513
State Wildlife Grants	15.634		367,260
Historic Preservation Fund Grants-In-Aid	15.904		529,249
Outdoor Recreation, Acquisition, Development and Planning	15.916		174,347
Total U.S. Department of the Interior			4,845,364

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
U.S. Department of Justice			
Uncataloged Program	16.000		177,324
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202		688,098
Sex Offender Management Discretionary Grant	16.203		1,753
Juvenile Accountability Incentive Block Grants	16.523		630,946
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		775,434
Victims of Child Abuse	16.547		37,163
<i>Pass-through from National CASA Association</i>		N5020405	17,741
Title V - Delinquency Prevention Program	16.548		81,016
Part E - State Challenge Activities	16.549		35,029
State Justice Statistics Program for Statistical Analysis Centers	16.550		50,824
National Criminal History Improvement Program (NCHIP)	16.554		720,624
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		342,644
Crime Laboratory Improvement Combined Offender DNA Index System Backlog Reduction	16.564		58,099
Crime Victim Assistance	16.575		1,529,219
Crime Victim Compensation	16.576		618,129
Edward Byrne Memorial Formula Grant Program	16.579		285,537
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		27,400
Drug Court Discretionary Grant Program	16.585		76,901
Violence Against Women Formula Grants	16.588		839,796
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		41,146
Local Law Enforcement Block Grants Program	16.592		21,651
Residential Substance Abuse Treatment for State Prisoners	16.593		306,336
Community Capacity Development Office	16.595		238,205
State Criminal Alien Assistance Program	16.606		92,403
Bulletproof Vest Partnership Program	16.607		97,453
Community Prosecution and Project Safe Neighborhoods	16.609		139,696
Public Safety Partnership and Community Policing Grants	16.710		1,172,389
Enforcing Underage Drinking Laws Program	16.727		360,345
Special Data Collections and Statistical Studies	16.734		16,495
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,356,468
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		78,560
Anti Gang Initiative	16.744		15,996
Total U.S. Department of Justice			10,930,823
U.S. Department of Labor			
Labor Force Statistics	17.002		677,351
Compensation and Working Conditions	17.005		31,652
Labor Certification for Alien Workers	17.203		141,421
Employment Services Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207		2,106,944
Disabled Veterans' Outreach Program (DVOP)	17.801		131,133
Local Veterans' Employment Representative Program	17.804		356,399
Total Employment Services Cluster			2,594,475
Unemployment Insurance	17.225		114,550,518
Senior Community Service Employment Program	17.235		1,794,018
Trade Adjustment Assistance	17.245		819,200

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
WIA Cluster			
WIA Adult Program	17.258		3,808,221
WIA Youth Activities	17.259		545,597
WIA Dislocated Workers	17.260		1,524,305
Total WIA Cluster			5,878,123
WIA Pilots, Demonstrations, and Research Projects	17.261		12,649
Work Incentives Grant	17.266		278,605
WIA Incentive Grants-Section 503 Grants to States	17.267		749,775
Consultation Agreements	17.504		477,722
OSHA Data Initiative	17.505		22,716
Disability Employment Policy Development	17.720		98,275
Total U.S. Department of Labor			128,126,500
U.S. Department of Transportation			
Uncataloged Program	20.000		2,115,377
<i>Pass-through from Virginia Tech to Delaware Technical Community College</i>		N5030401	7,249
National Motor Carrier Safety	20.218		640,364
Recreational Trails Program	20.219		365,575
<i>Pass-through from DNREC's Parks & Recreation to Fish & Wildlife</i>		N5111701	1,991
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		90,376,460
Total Highway Planning and Construction Cluster			90,376,460
Federal Transit Cluster			
Federal Transit-Capital Investment Grants	20.500		1,947,473
Federal Transit-Formula Grants	20.507		9,195,016
Total Federal Transit Cluster			11,142,489
Federal Transit-Metropolitan Planning Grants	20.505		214,362
Formula Grants for Other Than Urbanized Areas	20.509		53,985
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		405,504
State Planning and Research	20.515		9,307
Job Access Reverse Commute	20.516		276,837
Highway Safety Cluster			
State and Community Highway Safety	20.600		1,333,596
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		149,382
Occupant Protection	20.602		261,692
Safety Incentive Grants for Use of Seatbelts	20.604		11,357
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		259,356
Safety Belt Performance Grants	20.609		523,996
Incentive Grant Program to Increase Motorcyclist Safety	20.612		10,112
Total Highway Safety Cluster			2,549,491

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
Pipeline Safety	20.700		53,579
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		103,471
Total U.S. Department of Transportation			108,316,040
U.S. Department of Treasury			
Uncataloged Program	21.000		7,521
Total U.S. Department of Treasury			7,521
Equal Employment Opportunity Commission			
Employment Discrimination - Title VII of the Civil Rights Act of 1964	30.001		339,828
Employment Discrimination - State and Local Fair Employment Practices	30.002		56
Total Equal Employment Opportunity Commission			339,884
National Foundation on Arts and the Humanities			
Promotion of the Arts - Grants to Organizations and Individuals	45.024		63
Promotion of the Arts - Partnership Agreements	45.025		582,651
Grants to States	45.310		1,134,368
Total National Foundation on Arts and the Humanities			1,717,082
National Science Foundation			
Education and Human Resources	47.076		182,683
<i>Pass-through from National Science Foundation</i>		N1021699	1,111
<i>Pass-through from National Science Foundation</i>		N0092599	1,730
Total National Science Foundation			185,525
U.S. Department of Veterans Administration			
Grants to States for Construction of State Home Facilities	64.005		8,610,278
Burial Expenses Allowance for Veterans	64.101		238,067
State Cemetery Grants	64.203		236,415
Total U.S. Department of Veterans Administration			9,084,760

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		1,338,596
State Indoor Radon Grants	66.032		93,815
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		30,527
Water Pollution Control State, Interstate and Tribal Program Support	66.419		1,608,059
State Public Water System Supervision	66.432		341,922
State Underground Water Source Protection	66.433		74,976
Surveys, Studies, Investigations, Demonstrations & Training Grants Section 1442 of the Clean Water Act	66.436		6,573
Water Quality Management Planning	66.454		138,152
Capitalization Grants for Clean Water State Revolving Funds	66.458		9,436,773
Nonpoint Source Implementation Grants	66.460		1,485,259
Regional Wetland Program Development Grants	66.461		74,681
Chesapeake Bay Program	66.466		203,229
Wastewater Operator Training Grant Program (Technical Assistance)	66.467		15,379
Capitalization Grants for Drinking Water State Revolving Funds	66.468		13,936,397
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471		45,296
Beach Monitoring and Notification Program Implementation Grants	66.472		187,482
Water Protection Grants to the States	66.474		32,589
Wetland Program Grants- State Tribal Environmental Outcome Wetlands Demo Program	66.479		209,411
Office of Research and Development Consolidated Research / Training	66.511		48,991
Regional Environmental Monitoring and Assessment Program (REMAP) Research	66.512		543
Performance Partnership Grants	66.605		218,086
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		508,938
Surveys, Studies, Investigations and Special Purpose Grants Within the Office of the Administrator	66.610		176,946
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		122,088
Pollution Prevention Grants Program	66.708		73,098
Hazardous Waste Management State Program Support	66.801		900,288
Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	66.802		389,454
State and Tribal Underground Storage Tanks Program	66.804		209,640
Leaking Underground Storage Tank Trust Fund Program	66.805		653,413
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		586,776
Brownfield Job Training Cooperative Agreements	66.815		82,389
State and Tribal Response Program Grants	66.817		954,047
Total U.S. Environmental Protection Agency			34,183,813
U.S. Department of Energy			
State Energy Program	81.041		288,083
Weatherization Assistance for Low-Income Persons	81.042		581,469
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	81.117		29,087
State Energy Program Special Projects	81.119		42,095
Total U.S. Department of Energy			940,735

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
U.S. Department of Education			
Uncataloged Program	84.000		-45,010
Adult Education - State Grant Program	84.002		1,362,353
Title I Grants to Local Educational Agencies	84.010		31,417,499
Migrant Education - State Grant Program	84.011		187,103
Title I Program for Neglected and Delinquent Children	84.013		437,267
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027		27,475,652
Special Education - Preschool Grants (IDEA Preschool)	84.173		1,312,942
Total Special Education Cluster			28,788,594
Impact Aid	84.041		175,300
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		324,834
Federal Work Study Program	84.033		258,790
Federal Pell Grant Program	84.063		7,149,705
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376		199,456
Total Student Financial Assistance Cluster			7,932,786
TRIO Cluster			
TRIO - Student Support Services	84.042		534,161
TRIO - Talent Search	84.044		629,909
TRIO - Upward Bound	84.047		1,496,529
Total TRIO Cluster			2,660,599
Vocational Education - Basic Grants to States	84.048		4,372,719
Leveraging Educational Assistance Partnership	84.069		205,266
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		9,325,687
Independent Living - State Grants	84.169		368,849
Excellence in Education	84.171		772
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177		197,418
Special Education - Grants for Infants and Families with Disabilities	84.181		2,168,527
Byrd Honors Scholarships	84.185		103,500
Safe and Drug-Free Schools and Communities - State Grants	84.186		1,879,157
Supported Employment Services for Individuals with Severe Disabilities	84.187		302,632
Education for Homeless Children and Youth	84.196		123,450
Even Start - State Educational Agencies	84.213		579,759
Fund for the Improvement of Education	84.215		1,212,518
Rehabilitation Services Demonstration and Training Programs	84.235		118,242
Tech-Prep Education	84.243		477,305
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265		39,828
Charter Schools	84.282		971,733
Ready to Teach	84.286		12,820
Twenty-First Century Community Learning Centers	84.287		4,434,928
State Grants for Innovative Programs	84.298		712,184
Education Technology State Grants	84.318		1,510,030
Special Education - State Personnel Development	84.323		550,139

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
Special Education -Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		179,019
Advanced Placement Program	84.330		91,284
Grants to States for Incarcerated Youth Offenders	84.331		102,752
Comprehensive School Reform Demonstration	84.332		947,865
Child Care Access Means Parents in School	84.335		45,901
TRIO Dissemination Partnership Grants	84.344		106,840
Vocational Education Occupational and Employment Information State Grants	84.346		79,580
Reading First State Grants	84.357		2,402,005
Rural Education	84.358		126,557
English Language Acquisition Grants	84.365		943,759
Mathematics and Science Partnerships	84.366		599,702
Improving Teacher Quality State Grants	84.367		13,168,507
Grants for Enhanced Assessment Instruments	84.368		667,090
Grants for State Assessments and Related Activities	84.369		1,998,219
Hurricane Education Recovery	84.938		151,482
Total U.S. Department of Education			124,194,514
U.S. Department of Elections			
Election Reform Payments	90.401		4,277,000
Total U.S. Department of Elections			4,277,000
U.S. Department of Health and Human Services			
Uncataloged Program	93.000		169,089
Public Health and Social Services Emergency Fund	93.003		1,130,835
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		115,883
Medical Reserve Corps Small Grant Program	93.008		71,853
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		20,460
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		71,188
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		99,734
Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		2,295,585
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		2,663,230
Nutrition Services Incentive Program	93.053		187,068
Total Aging Cluster			5,145,883
Special Programs for the Aging -Title IV and Title II - Discretionary Projects	93.048		192,346
Alzheimer's Disease Demonstration Grants to States	93.051		225,770
National Family Caregiver Support	93.052		880,836
Food and Drug Administration Research	93.103		2,827
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		732,276
Maternal and Child Health Federal Consolidated Programs	93.110		346,235
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		277,037
Emergency Medical Services for Children	93.127		103,931

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
Primary Care Services, Resource Coordination and Development	93.130		338,777
Injury Prevention and Control Research and State and Community Based Programs	93.136		188,040
Projects for Assistance in Transition from Homelessness (PATH)	93.150		259,765
Grants for State Loan Repayment	93.165		29,420
Disabilities Prevention	93.184		140,634
Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		142,340
Family Planning Services	93.217		1,281,342
Traumatic Brain Injury - State Demonstration Grant Program	93.234		92,115
Abstinence Education	93.235		66,744
Grants for Dental Public Health Residency Training	93.236		349
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		103,073
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		535,574
Universal Newborn Hearing Screening	93.251		58,371
State Planning Grant Health Care Access for the Uninsured	93.256		204,167
Rural Access to Emergency Devices Grant	93.259		27,985
Immunization Grants	93.268		7,050,151
Drug Abuse and Addiction Research Programs	93.279		133,350
<i>Pass-through from Treatment Research Institute</i>		N9123001	8,969
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283		11,136,081
National Center for Research Resources	93.389		211,670
<i>Pass-through from University of Delaware</i>		N4090803	71,945
Promoting Safe and Stable Families	93.556		796,255
Temporary Assistance for Needy Families	93.558		29,959,935
Child Support Enforcement	93.563		18,031,353
Child Support Enforcement Research	93.564		22,199
Refugee and Entrant Assistance-State Administered Programs	93.566		48,921
Low-Income Home Energy Assistance Program	93.568		8,151,389
Community Services Block Grant	93.569		3,230,119
State Court Improvement Program	93.586		176,299
Child Care Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		12,726,609
Total Child Care Cluster			12,726,609
Grants to States for Access and Visitation Programs	93.597		109,288
Chafee Education and Training Vouchers Program (ETV)	93.599		62,520
Head Start	93.600		106,475
Voting Access for Individuals with Disabilities - Grants to States	93.617		277,365
Developmental Disabilities Basic Support and Advocacy Grants	93.630		449,448
Developmental Disabilities Projects of National Significance	93.631		11,294
Children's Justice Grants to States	93.643		87,142
Child Welfare Services - State Grants	93.645		896,756
Foster Care - Title IV-E	93.658		4,554,837
Adoption Assistance	93.659		1,618,588
Social Services Block Grant	93.667		4,600,254
Child Abuse and Neglect State Grants	93.669		104,864
Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	93.671		857,467
Chafee Foster Care Independent Living	93.674		506,612
State Children's Health Insurance Program	93.767		8,094,733

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
Medical Assistance Cluster			
State Medicaid Fraud Control Units	93.775		1,157,465
State Survey and Certification of Health Care Providers and Suppliers	93.777		1,217,185
Medical Assistance Program	93.778		523,649,493
Total Medical Assistance Cluster			526,024,143
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779		306,855
State Pharmaceutical Assistance Programs	93.786		87,604
Biomedical Research and Research Training	93.859		
<i>Pass-through from University of Delaware</i>		N4093003	34,339
National Bioterrorism Hospital Preparedness Program	93.889		1,864,873
Grants to States for Operation of Offices of Rural Health	93.913		135,204
HIV Care Formula Grants	93.917		4,419,567
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		226,811
HIV Prevention Activities-Health Department Based	93.940		2,282,548
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		378,604
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		83,359
Trauma Care Systems Planning and Development	93.952		15,199
Block Grants for Community Mental Health Services	93.958		1,255,844
<i>Pass-through from Advocacy for Human Potential, Inc.</i>		N4070709	30,903
Block Grants for Prevention and Treatment of Substance Abuse	93.959		7,129,269
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977		358,711
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		445,514
Preventive Health and Health Services Block Grant	93.991		225,818
Maternal and Child Health Services Block Grant to the States	93.994		2,002,558
Total U.S. Department of Health and Human Services			674,455,489
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002		141,457
State Commissions	94.003		96,599
Learn and Serve America - School and Community Based Programs	94.004		47,850
AmeriCorps	94.006		615,976
Training and Technical Assistance	94.009		90,334
Foster Grandparent/Senior Companion Cluster			
Foster Grandparent Program	94.011		556,942
Total Foster Grandparent/Senior Companion Cluster			556,942
Total Corporation for National and Community Service			1,549,158

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANT NAME	CFDA NO.	FEDERAL/PASS- THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
Social Security Administration			
Disability Insurance/SSI Cluster			
Social Security - Disability Insurance	96.001		5,698,988
Total Disability Insurance/SSI Cluster			5,698,988
Social Security - Work Incentives Planning and Assistance Program	96.008		74,549
Total Social Security Administration			5,773,537
U.S. Department of Homeland Security			
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program	16.007		1,122,555
State Domestic Preparedness Equipment Support Program	97.004		4,703,099
Homeland Security Grant Program	97.067		6,928,686
Total Homeland Security Cluster			12,754,340
Boating Safety Financial Assistance	97.012		814,926
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		113,450
Flood Mitigation Assistance	97.029		2,010,986
Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	97.036		4,512,262
Hazard Mitigation Grant	97.039		599
Emergency Management Performance Grants	97.042		727,343
State Fire Training Systems Grants	97.043		2,937
Cooperating Technical Partners	97.045		25,115
Map Modernization Management Support	97.070		117,878
Buffer Zone Protection Plan (BZPP)	97.078		111,772
Total U.S. Department of Homeland Security			21,191,607
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,289,356,871

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

(1) Reporting Entity

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the State of Delaware (the State), except for those programs administered by the Delaware State University, the Diamond State Port Authority, the Delaware State Housing Authority, Riverfront Development Corporation, Delaware Technical and Community College (DTCC) Foundation, and the Charter Schools. The State's reporting entity is defined in note 1 to the State's basic financial statements.

(2) Basis of Accounting

The accompanying SEFA is presented using the cash basis of accounting, except for the inclusion of noncash items as required by OMB Circular A-133 as described in note (5) below. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the State's basic financial statements.

(3) Family Federal Education Loan Program

During the Fiscal Year ended June 30, 2007, Delaware Technical and Community College processed \$4,879,702 of new loans under the Federal Family Education Loan Program (CFDA 84.032). This amount is not included on the SEFA.

(4) Unemployment Insurance Funds

State unemployment tax revenues and the government and nonprofit contributions in lieu of State taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the SEFA under CFDA #17.225. The State funds included in the SEFA at June 30, 2007 are \$104,880,000.

(5) Noncash Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash amounts received by the State are included in the SEFA as follows:

CFDA Number	Program Name	Amount
10.550	Food Donation (Commodities)	\$ 2,135,167
10.569	Emergency Food Assistance Program (Commodities)	444,729
93.268	Immunization Grants (Vaccines)	5,349,460
10.551	Food Stamps (EBT Payments)	73,285,249

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

(1) Summary of Auditors' Results

Basic Financial Statements

- (a) The type of report issued by KPMG LLP on the basic financial statements: **Unqualified.**
- (b) Material weaknesses in the internal control over financial reporting were disclosed by KPMG LLP in connection with the audit of the basic financial statements: **Yes.**
- (c) Significant deficiencies: **Yes.**
- (d) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

- (e) Material weaknesses identified in the internal control over major programs: **Yes.**

Major programs with material weaknesses:

CFDA No.	Program Name
10.557	Supplemental Nutrition Program for Women, Infants, and Children
16.007, 97.004, 97.067	Homeland Security Cluster
64.005	Grants to States for Construction of State Home Facilities
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments
93.044, 93.045, 93.053	Aging Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA No.	Program Name
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance Program
93.596	Child Care Cluster
93.667	Social Services Block Grant
93.917	HIV Care Formula Grants
97.029	Flood Mitigation Assistance
97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

- (f) Significant deficiencies identified in the internal control over major programs: Yes.

Major programs with significant deficiencies:

CFDA No.	Program Name
10.551, 10.561	Food Stamp Cluster
16.007, 97.004, 97.067	Homeland Security Cluster
16.575	Crime Victim Assistance

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA No.	Program Name
17.258, 17.259, 17.260	WIA Cluster
20.205	Highway Planning and Construction Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.007, 84.032, 84.033, 84.038, 84.063, 84.376	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments
93.044, 93.045, 93.053	Aging Cluster
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.558	Temporary Assistance for Needy Families

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA No.	Program Name
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance Program
93.596	Child Care Cluster
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.775, 93.777, 93.778	Medical Assistance Cluster
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.029	Flood Mitigation Assistance
97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

(g) The type of report issued on compliance for major programs:

Type of Opinion	Program Name
<i>Disclaimer</i>	

93.658 Foster Care - Title IV-E

Adverse

93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

Type of Opinion	Program Name
<i>Qualified</i>	
10.557	Supplemental Nutrition Program for Women, Infants, and Children
16.007, 97.004, 97.067	Homeland Security Cluster
64.005	Grants to States for Construction of State Home Facilities
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments
93.044, 93.045, 93.053	Aging Cluster
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance Program
93.596	Child Care Cluster
93.667	Social Services Block Grant
93.917	HIV Care Formula Grants
97.029	Flood Mitigation Assistance

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

**Type of
Opinion
*Qualified***

Program Name

97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

Unqualified

10.551, Food Stamp Cluster
10.561

10.553, Child Nutrition Cluster
10.555,
10.556,
10.559

10.676 Forest Legacy Program

12.401 National Guard Military Operations and Maintenance (O&M) Projects

16.575 Crime Victim Assistance

16.710 Public Safety Partnership and Community Policing Grants

17.225 Unemployment Insurance

17.258, WIA Cluster
17.259,
17.260

20.205 Highway Planning and Construction Cluster

20.500, Federal Transit Cluster
20.507

66.458 Capitalization Grants for Clean Water State Revolving Funds

66.468 Capitalization Grants for Drinking Water State Revolving Funds

84.287 Twenty-First Century Community Learning Centers

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

**Type of
Opinion**
Unqualified

Program Name

84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.038,
84.063,
84.376

93.563 Child Support Enforcement

93.767 State Children's Health Insurance Program

93.775, Medical Assistance Cluster
93.777,
93.778

93.959 Block Grants for Prevention and Treatment of Substance Abuse

(h) Any audit findings disclosed that are required to be reported under Section 510(a) of OMB Circular A-133: Yes.

(i) Identification of Major Programs:

CFDA Number	Federal Award Number	Program Name
10.551, 10.561	2004IS25441 2005IS251441 2005IS251941/2041/IE251841 2006IS252041/1941/1841 2006IS251441 1DE400401 2007IS251441	Food Stamp Cluster
10.553, 10.555, 10.556, 10.559	2DE300301 1DE300301	Child Nutrition Cluster
10.557	2005IW00341-641 2006IW100341/100641 2007IW100341/641	Supplemental Nutrition Program for Women, Infants and Children

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
10.676	04DG11244225014 04DG11244225018 05DG11244225187 05DG11244225186	Forest Legacy Program
12.401	08-91H0003 1001, 1003, 1005, 1040 1001/1003/1004/1005/1010 1001/1003/1005/1040 1002 1021/1022/1024/1029 1023 99180617 APPEND 1002 APPEND 1023 APPEND 1623 1624 APPEND 1625 1626 DADA07-00-2-1021;1022;1024 DADA07-00-2-1023 DAHA 07-00-1023 DAHA 07-00-2-1021 DAHA 07-00-2-1023 DAHA 07-00-H-0001 DAHA 07-00-H-0002 DAHA 07-00-H-1021 DAHA 07-01-2-1001 DAHA 07-01-2-1002 DAHA 07-95-2-1021 DAHA 07-99-H-0001 DAHA 07-99-H-1021 DAHA 07-99-H-1023 HB1, HK1,HJ1,IA1,IA3,FK1,FK2 HG2,HG3,HG4 NGB 07-94-H-0001 NGB 07-94-H-0002 NGB 07-94-H-0004 NGB 07-95-H-0001 NGB 07-95-H-0002 NGB 07-96-H-0001 NGB 07-96-H-0002 NGB 07-96-H-0004 NGB 07-97-H-0001	National Guard Military Operations and Maintenance (O&M) Projects

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
12.401 (continued)	NGB 07-97-H-0002	National Guard Military Operations and Maintenance (O&M) Projects
	NGB 07-97-H-0003	
	NGB 07-97-H-0004	
	NGB 07-98-H-0001	
	NGB 07-98-H-0002	
	NGB 07-98-H-0003	
	NGB 07-98-H-0004	
	NGB 07-92-H-0001	
	NGB 07-93-H-001, 005	
16.007, 97.004, 97.067	2003-MU-T3-0039	Homeland Security Cluster
	2003-TE-TX-0157	
	2004-GE-T4-0021	
	2005-GE-T5-0011	
	2006-EM-E6-0004	
	2006-GE-T6-0060	
16.575	2000-VA-GX-0010	Crime Victim Assistance
	2000-VA-GX0010	
	2000-GA-VX-0010	
	2003VAGX0041	
	2004VAGX0006	
	2005VAGX0024	
	2006VAGX0022	
	2006VAGX022	
16.710	2005CKWX0317	Public Safety Partnership and Community Policing Grants
	2005CKWX0336	
	2006CKWX0252	
	2002UMWX0011	
17.225	UI-12630-03-55	Unemployment Insurance
	UI-13539-04-55	
	UI-14426-05-55	
	UI-15113-06-55	
	2206	
	UI-15790-07-55	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
17.258, 17.259, 17.260	AA120030250 AA-12917-03-50 AA-13790-04-50 AA137900450 AA-14667-05-55 AA-15471-06-55 AN143190460 EM134270360 4705Y 2-709-Y 3713Y 4707Y 2-711-Y 3715Y 2-709Y 2711Y 3-703-Y	WIA Cluster
20.205	TRANSPORTATION ENHANCEMENT	Highway Planning and Construction Cluster
20.500, 20.507	DE-03-0016-01 DE-03-0022-00 DE-90-X026-00 DE-90-X027-00	Federal Transit Cluster
64.005	10-001	Grants to States for Construction of State Home Facilities
66.458	CS-10000100-1 CS-10000101-0 CS-100001-02-0 CS-10000104-0 CS-10000105-0 CS-10000106-0	Capitalization Grants for Clean Water State Revolving Funds

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
66.468	FS 993914-99-0	Capitalization Grants for Drinking Water State Revolving Funds
	FS-99391401	
	FS-99391402-0	
	FS-99391403-1	
	FS-993914-04	
	FS-993914050	
	FS99391405-0	
	FS-99391406	
	FS-99391406-0	
	FS993914-99-0	
	FS-99391499-2	
84.007, 84.032, 84.033, 84.038, 84.063, 84.376	P007A050811	Student Financial Assistance Cluster
	P007A050812	
	P007A050814	
	P007A050815	
	P007A060811	
	P007A060812	
	P007A060814	
	P007A060815	
	P033A010811	
	P033A050811	
	P033A050812	
	P033A050814	
	P033A050815	
	P033A060811	
	P033A060812	
	P033A060815	
	P033A06814	
	P033A990811	
	P063P041233	
	P063P051233	
	P063P052885	
	P063P053468	
	P063P053817	
	P063P061233	
	P063P062885	
	P063P063468	
	P063P063817	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
84.010	S010A020008	Title I Grants to Local Educational Agencies
	S010A030008	
	S010A040008	
	S010A050008	
	S010A060008	
	S10A030008	
84.027, 84.173	H027A010022	Special Education Cluster
	H027A020022	
	H027A020022A	
	H027A040022	
	H027A050022	
	H027A060022	
	H027A1010022	
	H1713A060025	
	H173A020025	
	H173A040025	
	H173A050025	
	H1173A050025	
	H1713A050025	
	H173A060025	
	HA731040025	
84.048	V048A030008	Vocational Education Basic Grants to States
	V048A040008	
	V048A050008	
	V048A060008	
	VEP3PS407	
	VO48A030008	
84.287	S287C040052	Twenty-First Century Community Learning Centers
	S287C050052	
	S287C060052	
84.367	S367A020007	Improving Teacher Quality State Grants
	S367A030007	
	S367A040007	
	S367A050007	
	S367A060007	
	S367B040008	
	S367B050008	
90.401	S367B060008	Election Reform Payments
	47-0601-0-1-808	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
93.044, 93.045, 93.053	05AADENSIP 06AADENSIP 07AADENSIP 2-04AADE1320 2-04AADE1712 2-04AADENSIP 2-05AADET3SP 2-06AADET3SP	Aging Cluster
93.268	H23/CCH322567-03 H23/CCH322567-04	Immunization Grants
93.283	E11/CCE320081-03 1 U50 CI000492-01 U50/CCU319689-05 U55/CCU321881-03 U55/CCU321881-04 U55/CCU321881-05 U58/CCU322784-03 U58/CCU322784-04 U90/CCU316980-05 U90/CCU316980-06 U90/CCU316980-07 UR3/CCU320034-04	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.558	G-0301DETANF G-0401DETANF G-0501DETANF G-0602DETANF G-0702DETANF	Temporary Assistance for Needy Families
93.563	G-0204DE4004 0404DE4004 0504DE4004 0604DE4004 G-0704DE4004	Child Support Enforcement
93.568	G-05B1DELIA G-06B1DELIA G-07B1DELIA	Low-Income Home Energy Assistance Program
93.596	G-0301DECCDF G-0401DECCDF G-0501DECCDF G-0601DECCDF G-0701DECCDF	Child Care Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
93.658	0101DE1401 0501DE1401 0601DE1401 0701DE1401 9801DE1401/1404	Foster Care – Title IV-E
93.667	G-0301DESOSR G-0401DESOSR G-0501DESOSR G-0601DESOSR G-0701DESOSR G-0701DESOR	Social Services Block Grant
93.767	05-0405DE5021 05-0505DE5021 05-0605DE5021	State Children's Health Insurance Program
93.775, 93.777, 93.778	010601DE5050 010701DE5050 05-0305-DE-5001 05-0405-DE-5000 05-0605-DE-5000 05-0605-DE-5001 05-0605-DE-5002 05-0605DE5028/5048 05-0705-DE-5001 05-0705-DE-5002 05-0705DE5028/5048 06-0405DE5028/5048	Medical Assistance Cluster
93.917	2 X07HA00081-14-00 2X07HA00081-15-00 2 X07HA00081-16-00 X07HA00081	HIV Care Formula Grants
93.959	05B1DESAPT-01 06B1DESAPT-01	Block Grants for Prevention and Treatment of Substance Abuse
97.029	EMP-2005-FM-E002 EMP-2005-FM-E005 EMP-2005-FM-E006 EMP-2005-FM-E010 EMP-2006-FM-E005 EMP-2006-FM-E008 EMP-2006-FM-E010	Flood Mitigation Assistance

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2007

CFDA Number	Federal Award Number	Program Name
97.036	FEMA-1494-DR-DE FEMA-1495-DR-DE FEMA-1572-DR-DE FEMA-3263-EM-DE FEMA-1654-DR-DE	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

- (j) Dollar threshold used to distinguish between Type A and Type B programs: \$3,868,071.
- (k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No.

(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*:

Six findings related to the basic financial statements for the year ended June 30, 2007, were reported in accordance with *Government Auditing Standards* by KPMG LLP. See Section 2 of the Schedule of Findings and Questioned Costs for items 2007-1 to 2007-6.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Finance

Reference Number: 2007-1

Type of Finding: Internal Control over Financial Reporting

Comprehensive Annual Financial Report (CAFR) Preparation

Process for Preparation

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports, and recording various adjustments. The many sources of information and the extent of modification necessary results in a financial reporting process that is highly complex and susceptible to errors. In 2007, there was an internal review of the CAFR build-up prior to submitting the document for audit, and the process resulted in a draft document that was improved from the past. In addition, the personnel responsible for the CAFR development prepared a detailed roll forward reconciliation of the transactions in the central accounting system (DFMS) to the cash balances in the Office of the Treasurer prior to the drafting of the statements. The roll forward was also used to validate the accuracy of the transactions posted to the financial statement preparation worksheets and confirm that a \$12 million carryover variance had only a de minimus change since the prior year. We also noted increased interaction between the State and Component Unit financial management to ensure that numbers reconciled. While a timeline was developed for the completion of major milestones for the CAFR process, some of the significant deadlines were not met as a result of the more robust review and reconciliation process and the learning curve of new personnel. As a result, a significant amount of the preparation process was completed well after year end.

Additionally, the financial reporting process is dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. These processes include the development of accounts receivables, allowance for uncollectible accounts, accruals of state obligations, the development of construction work in process and the capture of cash and investment balances controlled outside the Treasurer's Office. Many of the outside agencies use systems outside of the current statewide accounting system to gather and track this information since the current system is not robust enough to meet their needs which adds to the complexity of the year end closing and reconciliation process. The GAAP package reporting process, which includes the preparation of over 180 packages, relies on agency personnel, many of whom were new to their positions, to complete the packages. The Division of Accounting (DOA) conducts training on the preparation of the packages and in 2007 conducted internal reviews of the material packages to ensure that amounts are accurate and properly supported. One of the focus areas for the review of GAAP packages was capital assets, the DOA internal controls personnel identified numerous errors including untimely transfer of work in process to the capital asset ledger, failure to capture of all expenditures that should be capitalized, and cutoff errors. The review was also more robust in other selected agencies 2007 than in the past, but these procedures were not completed until later in the closing process. Even after these reviews some errors went undetected as described in the following paragraph.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Although the process has been improved from prior years, as part of our audit, we detected errors in cutoff for grants and interest income. Additionally, several items were not properly included in capital assets. Lastly, we identified underling data or assumption errors associated with tax and accounts receivables.

Personnel Assigned

In 2007, external consultant assistance was used to facilitate the preparation of the CAFR. The external consultant had oversight responsibility for the supervision of the State's internal control personnel who were instrumental in the completion of the CAFR and the review of the external GAAP packages. As a result, the number of personnel involved in the preparation and review has appropriately expanded over the last two years. During our audit we noted that additional on the job training of new personnel and the adoption of a more robust documentation process led to the untimely receipt of several key deliverables needed for us to adequately perform our audit. Other than the hired consultant assistance, none of the key personnel involved with the process had experience before 2006 with the preparation of a financial statement with the size and complexity of the State of Delaware.

Additionally, many of the personnel assigned to complete the GAAP packages sent to the Division of Accounting by the agencies are not trained accountants, and there was a significant amount of turnover at the agencies with the personnel responsible for completing the GAAP packages.

Technology

The DFMS system is a cash basis accounting system that does not have the flexibility to accommodate modified accrual accounting and it is difficult to obtain ad-hoc reports for financial reporting and analysis. The system does not easily identify by GAAP fund what cash balances are held by the Treasurer's office. As a result, reports utilized from DFMS require significant manual manipulation through spreadsheets to develop the trial balances and the CAFR. In addition, the financial schedules and the Balance Sheet are rolled forward from year to year using an Excel spreadsheet for a \$10 billion operation.

Recommendation

We recommend that management continue with the progress made to date in refining their workpapers used to complete the draft CAFR and all significant adjustments, conversion to accrual adjustments and reconciliations. The review process should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors. Specific focus should be placed on cutoff and valuation accounts associated with the GAAP package process and report preparation.

Because of the complexity of the report build-up process, management should re-evaluate the adjustments to convert budget-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts. Additional DFMS reports by GAAP fund should be investigated and utilized for the financial statement build-up process in place of the existing spreadsheet analysis that is completed. In Fiscal Year 2008, consistency should be put aside as management evaluates the necessity of the

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

adjustments made to the core DFMS reports for CAFR preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year.

We continue to encourage the Division of Accounting to fill the open CAFR manager position with a person that has significant financial statement preparation experience with CPA or similar credentials. We encourage the State to continue to use their new resources to monitor the agency accountants and expand the knowledge base of personnel who understand GAAP. These resources are critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to the Division of Accounting for year-end financial reporting.

We continue to recommend Component Units' processes be more formalized and the financial management of those agencies be provided with control numbers for items expected to be identified in the financial statements, including; transfer amounts, debt, cash, and due to/from. These numbers should be identified by the Division of Accounting as soon as the first cash basis close is completed so that the other departments and agencies can work toward verification of the balances through their own closing process.

The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that the internal control resources in the Division of Accounting continue the progress to communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. For example, the capital asset review process should be completed throughout the year to insure the agencies are appropriately capturing activity for all projects, maintaining current records, and transferring construction in process to the final asset ledger timely so the GAAP packages are complete and accurate and in accordance with State's policy and generally accepted accounting standards. The current year training on GAAP package preparation should be updated to include more theoretical basis for what should be included in the packages. Areas of focus continue to include accounting estimates, receivable balances and capital asset accounting. The number of GAAP packages and personnel assigned to complete them should be reviewed as part of the improvements to year-end reporting to ensure that they comply with the State's policies over internal control and segregation of duties.

Lastly, as the State continues to prepare for the implementation of the new accounting system, every effort should be made to consolidate as much GAAP package accrual information as practical into the new central accounting system. These items include debt, fixed assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits of a more robust central accounting system will include a more efficient closing process, as well as better internal controls and more complete information for management decision making throughout the year.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director - Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>We agree that the review process for all significant adjustments, conversion to accrual adjustments and reconciliations include an evaluation of the reasonableness of individual financial statement line items. We made significant strides during the current year GAAP and report preparation processes toward this goal. Our current senior CAFR team members will have two years of experience going into the 2008 CAFR process and have already started preparing to focus in the areas of error detection and inconsistencies.</p> <p>Management agrees with the recommendation to reevaluate all DFMS reports used for the current process. We have begun the evaluation of these reports not only for this recommendation but also for the implementation of the new financial system. We have already identified significant areas for improved reporting. We are also evaluating accounts that are better suited for review on a more frequent basis to assist in the efficiency of the preparation of the statements.</p> <p>We extensively recruited for the open CAFR manager position last year but was unable to successfully recruit candidates due primarily to the pay grade of the position and the competitiveness of the salaries being offered by the private sector to individuals with the skills, knowledge and abilities we seek. As a result, we are pursuing a reclassification to a higher, more attractive pay grade and our goal is to have the position filled by summer 2008. We will also be recruiting for two additional internal control positions to expand our internal knowledge base in order to provide greater oversight of the financial reporting process.</p> <p>Management agrees with the recommendation to provide Component Units with control totals for items expected to be identified in financial statements. Staff are developing a more formalized process for the 2008 CAFR preparation process.</p> <p>We agree that financial information should be communicated to senior management responsible for review within State organizations and will setup a formalized process to provide this information to organizational leadership. The CAFR team is in the</p>

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>process of developing ways to enhance the annual GAAP training and will stress the importance of accurate and timely submission of the financial information as well as provide organizations with a more theoretical basis for information reporting. Additional training will be provided to those organizations with staff turnover and those with significant balances. Areas of focus for additional training include cash/investments, accounts receivable and grant receivables. In addition, the CAFR team will host debriefing meetings with organizations that required adjustments identified during Division of Accounting's review and/or KPMG's audit and will communicate an accurate reporting methodology plus suggest improvements.</p> <p>CAFR personnel have been continually involved with the new financials system and have provided input on the definition of financial reporting requirements, design of the new process, and will be testing reports to ensure adequate and accurate information is produced throughout the transition and production processes. We look forward to reaping the benefits of a more robust central system that produces more effectiveness in all statewide financial processes.</p>
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Finance

Reference Number: 2007-2

Type of Finding: Internal Control over Financial Reporting

DFMS Journal Entries

The Department of Finance, Division of Accounting is responsible for the oversight of the processing of financial transaction in DFMS. The State of Delaware Office of the Auditor of Accounts issued a report entitled *Statewide Journal Entry Performance Audit, July 1, 2005 – February 28, 2006* in 2006 which contained findings related to the initiation and processing of financial transactions using documents contained in the Delaware Financial Management System (DFMS). During the current year audit, KPMG selected 30 journal entry transactions for testing and identified several ongoing internal control deficiencies including the following:

- Twenty-one of the entries selected for review did not provide complete supporting documentation or specify the business function or rationale to support the journal entries.
- Four of the journal entries were not properly authorized. Personnel are not required to have journal entries approved by another individual prior to submission to DFMS.

Recommendation

We recommend that the Department of Finance, Division of Accounting, take appropriate action to ensure that journal entries are appropriately reviewed prior to submission into DFMS.

- Agencies/Divisions/Departments should take the appropriate steps to ensure that supporting documentation for journal entries are filed in a timely manner. The supporting documentation should include the business function and rationale for the journal entry.
- Additionally, the Agency/Division/Department should designate an individual to prepare the journal entry within the department/agency/division and have a separate individual that is authorized to approve the journal entries for adequate separation of duties.

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director - Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	We are currently reviewing the procedures for the journal entry activity and will inform organizations of the changes we have made. As part of the journal entry approval process, the Division of Accounting will work with organizations to develop a better policy to ensure adequate segregation of duties exists.
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Transportation

Reference Number: 2007-3

Type of Finding: Internal Control over Financial Reporting

Accounting for Capital Assets and Infrastructure

In order to calculate the ending capital asset balances for the Department of Transportation (DelDOT) financial statements, the Department uses various spreadsheets as well as expense reports from its general ledger system to calculate the balance of capital assets and infrastructure, the Department does not currently have a capital asset subsidiary ledger that can roll-forward all of the elements typically contained in capital asset records, including identification, location, historical cost, acquisition date, useful life, depreciation, accumulated depreciation, and funding source.

The application of the modified approach to infrastructure requires determining if capital program expenditures are for preservation and maintenance or additions to the capacity of infrastructure. The Department currently has a sub-appropriation code in its general ledger system that tracks infrastructure additions so expenses can be coded correctly when they relate to infrastructure, however this coding has been inconsistently applied. The result is that projects are reviewed at year-end to determine whether they are capacity-building and there are no clear procedures surrounding this review.

Recommendation

In the prior year, we recommended that the balances of capital asset infrastructure be centrally managed in a capital assets subsidiary ledger with the capability to track additions, deletions, and calculate depreciation.

We further recommended that the Department establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting when a project is established, rather than at each year-end, so that capacity-building expenditures can be readily identified for financial reporting purposes.

The Department is in the process of developing a policy to address these recommendations, however these recommendations had not been implemented as of June 30, 2007. We continue to recommend that the Department both develop a capital asset subsidiary ledger and establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting when a project is established.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	<p>DelDOT's BACIS accounting system does not have a centrally managed fixed asset subsidiary ledger and one is not anticipated to be established, inasmuch as the BACIS accounting system is over 25 years old. DelDOT is not upgrading BACIS due to the fact that the State is implementing a new accounting system to be operational by July 2009, which DelDOT will be using. These issues should be addressed in this new PeopleSoft system.</p> <p>As far as determining whether or not a project adds capacity for purposes of financial reporting, DelDOT has prepared a draft "Infrastructure Project Classification Policy," the Department will move to formally establish the policy and distribute it throughout the Department by December 31, 2007.</p>
Anticipated Completion Date	December 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Transportation

Reference Number: 2007-4

Type of Finding: Internal Control over Financial Reporting

Nonroutine Transactions at DelDOT

We recommended in the prior year that the Department establish a formal review process over contracts entered into by the Department affecting revenue for the purpose of determining accounting treatment for year-end financial reporting. Although the Department implemented policies to perform such reviews going forward in response to this recommendation, contracts that were executed prior to this fiscal year may also have continuing impact on revenue.

In the current year, the Department received \$5.5 million in payment for the sale of land. We recommended, and management recorded, an audit adjustment to appropriately reflect the transaction on the Department's financial statements.

Recommendation

We recommend that, in addition to the contract review for new contracts, the Department also establish a formal review process for significant nonroutine transactions for the purpose of determining appropriate accounting treatment.

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	A formal policy to review all contracts resulting in funds received by the Department was implemented during fiscal year 2007. As part of the policy all significant nonroutine transactions resulting in revenue are also being reviewed to ensure proper accounting treatment.
Anticipated Completion Date	June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Transportation

Reference Number: 2007-5

Type of Finding: Internal Control over Financial Reporting

Financial Reporting at DelDOT

The Department has contracted for the past several years with an outside CPA firm to compile its financial statements for the Transportation Trust Fund, Delaware Transit Corporation, and for the consolidated Delaware Department of Transportation entity.

The process used to obtain the necessary information for balances outside of the Department Trust Fund is not clearly documented, does not occur on a clear timetable, and relies heavily on one individual to provide information requested by the contractor for compilation purposes. Financial statement items impacted include receivables, payables, and capital assets, including infrastructure assets.

Additionally, there is no independent review of the information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its being provided to the contractor, increasing the risk of potential undetected misstatements, errors, or omissions.

Recommendation

We recommend that the Department develop, for the 2008 audit cycle:

- A detailed list of balances (other than those in the Transportation Trust Fund and Delaware Transit Corporation) and what detailed reports, supporting schedules, and other documentation are needed to support the compilation of financial statements and disclosures related to those balances.
- A specific timetable of when each of the detailed reports, supporting schedules, and other documentation will be completed.
- Interim review process to evaluate data before year-end to identify any issues and correct them before year-end close.
- A periodic monitoring process to ensure the timetable is adhered to.

We further recommend that the Department consider whether the current level of staffing is appropriate to:

- Disperse responsibility for specific reports, schedules, and documentation to others within the accounting function.
- Provide for an independent review of information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its receipt by the compilation contractor.
- Review data throughout the year for completeness and accuracy.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	The Department of Transportation prepares its financial information based on GAAP guidelines issued by the State Division of Accounting. The Department will make an effort to better define the data collection process and timelines applicable to same. While we currently monitor financial data periodically, we will endeavor to expand that process to a wider range of data in the future and will review that data throughout the year for correctness and accuracy. Also with the implementation of the State's new PeopleSoft financial system, in July 2009, we believe many of these issues will be resolved.
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2007

Department of Transportation

Reference Number: 2007-6

Type of Finding: Internal Control over Financial Reporting

Change Control over Toll System Host Computer

The toll system host computer and related software is used to process, record, and reconcile over \$128 million in toll revenue from both cash and EZ Pass customers.

There are four toll system software support positions, all of which have the ability to develop changes to the toll system and the ability to migrate them into the production environment. Typically, such duties are segregated to mitigate the risk that changes are disruptive to system operations either intentionally or unintentionally.

Although there is a change management policy requiring review and approval of changes, the ability exists to circumvent the approval process because of the lack of segregation of duties.

Recommendation

We recommend that the development of system changes be segregated from the ability to migrate changes into production.

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	Existing policies are currently being modified to ensure adequate segregation of duties. The current Change Policy and Request form will also be modified to manage, approve and track all system changes. All changes are scheduled to be implemented by January 1, 2008.
Anticipated Completion Date	January 1, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency.

TABLE OF CONTENTS

DEPARTMENT	FINDING PREFIX	PAGE
Criminal Justice Council	CJC	62
Delaware Technical and Community College	DTC	64
Education, Department of	ED	69
Elections, Department of		
Commissioner of Elections	COE	86
Health and Social Services, Department of	DHSS	92
Division of Services for Aging and Adults with Physical Disabilities	AGI	97
Division of Child Support Enforcement	CSE	101
Division of Medicaid and Medical Assistance	DMMA	105
Division of Public Health	DPH	112
Division of Social Services	DSS	134
Division of Substance Abuse and Mental Health	SAM	143
Division of State Service Centers	SSC	149
Labor, Department of	DOL	151
Natural Resources and Environmental Control, Department of	DNR	154
Office of Management and Budget	OMB	159

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

DEPARTMENT	FINDING PREFIX	PAGE
Safety and Homeland Security, Department of		
Delaware Emergency Management Agency	DEM	161
Delaware State Police	DSP	171
Services for Children, Youth, and Their Families, Department of	CYF	173
Transportation, Department of	DOT	178

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Criminal Justice Council

Reference Number: 07-CJC-01

Program: 16.575 Crime Victim Assistance

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems, which use sampling methods, must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Of the 10 payroll expenditures selected for test work, 4 of the time and effort certifications were not properly reviewed and approved as evidenced by a lack of a supervisor signature. We also noted that CJC could not provide a signed time and effort certification for one of the employees selected.

Cause

CJC has procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87. These procedures require supervisors to review and approve the time and effort certifications, however, CJC is not fully implementing these procedures.

Effect

Salaries may be inappropriately allocated to the Crime Victim Assistance program.

Recommendation

We recommend that CJC fully implement their procedures to ensure that all employees being paid with federal awards complete and sign time and effort certifications to support the payroll costs, as well as require supervisory review and approval of the certifications.

Questioned Costs

The total payroll costs for the employee without the time and effort certification was \$317.13 for the pay period selected.

Views of Responsible Officials

Agency Contact Name	Christian Kervick
Agency Contact Phone Number	(302) 577-5030
Corrective Action Plan	As a result of the audit, the Criminal Justice Council has reviewed its Time and Effort Certification policy with staff to ensure that all employees are fully aware of the procedures. In addition, a review of submitted Time and Effort Certifications will be done each month by the Administrative Accountant to make certain that all employees have submitted their certifications and the proper signatures are obtained.
Anticipated Completion Date	January 28, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Delaware Technical and Community College – All Campuses

Reference Number: 07-DTC-01

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063,

84.376

Type of Finding: Significant Deficiency

Compliance Requirement(s): Eligibility

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College. Of the weaknesses noted on the prior report, the following findings still existed as of June 30, 2006:

- Policies and procedures are not formalized (documented).
- Backup and Recovery.
- Change Control.

In the current year, an updated general controls review was performed of the Banner Application and the following findings were identified as of June 30, 2007:

Policies and procedures for Information Technology processes and controls supporting the Banner Application could be improved. While the College has an acceptable technology usage policy in place, and several written procedures (including change management communications and backup procedures), several key policies are absent - including change management testing, user access administration, authentication/password policies, and policies governing monitoring security events and problem identification/resolution. While the IT Department has initiated efforts to improve and build on their policies, the College should develop the following policies and procedures: (1) change management testing, (2) user access administration, (3) authentication/password policies, (4) security event monitoring, (5) problem identification and resolution, (6) full policies on data back-up and recovery.

The implementation of a dedicated help-desk solution to support problem identification and resolution for Banner Application-related user issues could be useful. A help-desk solution would ensure that financial-aid-related user issues related to the Banner application do not go unresolved. The ideal solution should include a 24 hour/7 day knowledge base and be able to answer users' frequently-asked questions.

Testing of the restorability of the Banner Programs should be performed at least annually. As of June 30, 2007, there was no comprehensive plan to ensure that Banner Application programs and data could be recovered effectively from an off-site location.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

A weekly transmission of backup data should be taken to another campus. As of June 30, 2007, while media containing backed-up data was taken to a second building on the Dover campus, such media should be taken further away to ensure that data is recoverable in the event of a catastrophic event on the Dover Campus.

Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Gerard M. McNesby, Vice President for Finance
Agency Contact Phone Number	(302) 739-4057
Corrective Action Plan	<p>Policies and Procedures</p> <p>The primary Banner application does not support expiration of passwords or support enforcing password complexity as it is delivered from the vendor. The College has strived to keep customizations to the Banner system to a minimum to ensure the seamless flow of upgrades and patches. Since the software vendor does not support password policies natively, we do not recommend implementing a customization to meet this recommendation.</p> <p>The College's Data Analysts maintain a desk reference of procedures followed in day-to-day operations of the Banner system. These references are available in hard copy at the desk of the Analysts who maintains them. Custom scripts and code are stored centrally on a server with controlled access and archival systems ensuring the availability of the data.</p> <p>A subcommittee for creation of formal Policies and Procedures has been created and they are tasked with the formalization of all IT related policies and procedures. Change management, user access administration, and data back-up and recovery policies are already under review by this subcommittee.</p> <p>A second subcommittee focusing on Identity Management has been created and it is tasked with developing the processes and proposing policies that surround user authentication, system access, and password policies.</p>

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Anticipated Completion Date	To be determined.
Corrective Action Plan	<p>Dedicated Help-Desk Solutions</p> <p>The college portal has a section under “Help Center” tab which contains “frequently asked questions” that include a link for financial aid questions.</p> <p>College Administration is in the process of reviewing the Application Help Desk operating procedures and its reporting structure. This helpdesk is charged with supporting faculty, staff and students with questions about Banner and Bannerweb. The college does support the recommendation of tracking of application helpdesk calls; however, currently there is no system in place to support this. A commercial product for logging help desk calls and providing online self support services like FAQ’s, Knowledgebase, and opening support tickets is under review; however, no formal budget has been established for funding this product.</p>
Anticipated Completion Date	To be determined.
Corrective Action Plan	<p>Testing of Restorability</p> <p>At the end of October, a server, safe for tape storage, and Tape archival system were relocated to the Owens Campus in Georgetown. This server will provide line office support for the Banner system in the event of a catastrophic failure. During this transition, this system was tested to ensure the tapes could indeed restore the Banner data from the backups created in Dover. Another formal and comprehensive plan to test that restoration is planned to take place in the first quarter of 2008. This recommendation is complete.</p>
Anticipated Completion Date	Completed.
Corrective Action Plan	<p>Location of Backup Data</p> <p>This recommendation is complete. As of October 31, 2007, a safe has been located in Georgetown at our Owens campus and weekly tape backups are been transported and stored in that safe. The Georgetown campus is located about 40 miles south of our data center.</p>
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Delaware Technical and Community College – All Campuses

Reference Number: 07-DTC-02

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063,

84.376

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Tests and Provisions (Disbursements To or On Behalf of Students)

Criteria

If an institution credits a student's account at the institution with Direct Loans, Federal Perkins Loans (FPL), or Federal Family Education Loans (FFEL), no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student, or parent of (1) the date and amount of the disbursement, and (2) the student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. (34 CFR section 668.165)

Condition

In the prior year, it was noted the College was not in full compliance with the requirement to notify students with FFEL aid within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

In the current year, for the 15 students tested with FFEL aid across all campuses, it was noted this same finding only continued for the Fall semester of Fiscal Year 2007 and was corrected by the Spring semester of Fiscal Year 2007.

Cause

The lack of control over the FFEL disbursement notification process was not identified until the Fall of 2006, but was subsequently corrected for the Spring 2007 disbursements for each of the campuses.

Effect

For the Fall semester of 2006, the student or parent was not notified of the date and amount of the FFEL disbursement and the student's, or parent's, right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan within 30 days of the Delaware Technical and Community College campuses crediting the student's account.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

We recommend that the campuses continue to ensure that the controls over FFEL disbursement notifications are operating effectively.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Financial Aid Officers: Debra McCain, Veronica Oney, & Jennifer Grunden
Agency Contact Phone Number	(302) 571-5380, (302) 855-1667, & (302) 857-1042
Corrective Action Plan	Current procedures include the ability for the Owens, Terry, and Stanton/Wilmington Financial Aid Offices of Delaware Technical and Community College to create and print Loan Disbursement Letters in the Banner system. Once loans have been disbursed to the student account, a population selection is created within Banner to capture each FFEL or PLUS loan disbursed for a selected date range. Loan Disbursement Letters are then printed on College letterhead, with the actual disbursement date and the actual amount of the disbursement for each student. The letter also includes, a statement concerning the right of the student or parent to cancel all or a portion of the loan and then have the loan proceeds returned to the holder of the loan. A Loan Disbursement Letter will be sent to all FFEL or PLUS loan recipients within 30 days of crediting the student's account.
Anticipated Completion Date	Completed and effective March 2007 (Spring 2007 Semester).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Reference Number: 07-ED-01

Program: 84.287 Twenty-First Century Community Learning Centers

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's Fiscal Year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

The State Department of Education (DOE) could not provide evidence that they have received or were due any A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards. While the DOE have requested such reports as required, there has been no response from the subrecipients. Accordingly, the DOE should request a positive confirmation from the subrecipients that A-133 single audit report is not required and consider holding back funding until that subrecipient's confirmation is received. In addition, the DOE should continue to strengthen its monitoring of the subrecipients by initiating the following:

- Include specific guidelines within the subrecipients' applications that would cause the suspension of continued funding.
- Ensure funding is on a reimbursement basis by verifying proof of expenditures prior to the reimbursing the subrecipients.
- Provide a standard report format for each subrecipient visit to ensure consistency and timeliness of periodic report. The standardized report should include any corrective actions required to be implemented and the consequences on not correcting those deficiencies.

The total amount of expenditures passed through to subrecipients was \$2,927,260 for the year ended June 30, 2007. Total expenditures for the program as a whole were \$4,434,928.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Cause

Because of turnover in the personnel responsible for this federal program, the present personnel are in the process of addressing and even improving upon the internal policies and procedures related to the monitoring of its subrecipients.

Effect

DOE could not fully ensure its pass-through entity responsibilities related to the monitoring of subrecipient activities have been addressed.

Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are consistently documented and reviewed by a supervising official. The monitoring visits should also reinforce the need to address deficiencies identified during those visits and the consequences of not correcting such deficiencies.

Questioned Costs

There are no known questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Theresa Vendrzyk Kough
Agency Contact Phone Number	(302) 739-4269
Corrective Action Plan	DOE reinforces its policies and procedures to ensure that the subrecipient activities are monitored on a timely basis, and that the monitoring visits are consistently documented and reviewed by the supervising official. The monitoring visits address deficiencies identified during those visits and consequences are put into place when necessary.
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Reference Number: 07-ED-02

Program: 84.048 Vocational Education – Basic Grants to States

84.027, Special Education Cluster

84.173

84.367 Improving Teacher Quality State Grants

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Thirty payroll expenditures were tested at the State Department of Education, consisting of 24 Vocational Educational expenditures, four Special Education expenditures and two Improving Teacher Quality expenditures. While time and effort reports were present for each of the of employees selected, 11 of the time and effort reports were not signed by the employee and/or their supervisor within 90 days of the end of the pay cycle end date being allocated.

In addition, as noted in a prior year finding, the State Department of Education is still in the process of developing procedures to make adjustments (quarterly or annually), as necessary, to payroll costs charged to federal awards in order to reflect the activity actually performed by their employees. DOE does have procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87; however, the costs charged to federal awards are ultimately based on budgeted amounts programmed through the State-wide payroll system.

Cause

While DOE does have procedures in place that require employees to complete periodic time and effort certifications as required by OMB Circular A-87, the approval process, as evidenced by signature, for certifications is not being performed on a timely basis and ensuring hours are based on actual activity.

Effect

The ability of employees and supervisors to verify accuracy of time being charged to federal programs may be diminished if the review and approval of the certifications occurs significantly after the period when the charges were incurred and if the time is initially based on budgeted amounts.

Recommendation

We recommend that DOE reinforce its policies and procedures to provide more timely reviews of time and effort certifications. We also recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	A new time and effort procedure will be put into place July 1, 2008, which will make reporting of time and effort more reliable for employees who use flex-hour and for the State's bi-weekly pay system. This new process, along with increased technical assistance to program managers and employees and increased monitoring will result in more timely review of time and effort certifications and less need for payroll adjustments.
Anticipated Completion Date	July 1, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Appoquinimink School District

Capital School District

Lake Forest School District

Red Clay School District

Reference Number: 07-ED-03

Program: 84.010 Title I Grants to Local Educational Agencies

84.048 Vocational Education – Basic Grants to States

84.027 Special Education Cluster

84.173

84.367 Improving Teacher Quality State Grants

84.287 Twenty-First Century Community Learning Centers

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C):

- Be necessary and reasonable for proper and efficient performance and administration of Federal of Federal awards. A cost generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- Be allocable to Federal awards under the provisions of the Circular. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Condition

Intrastate transactions

Appoquinimink School District

Based on a sample of 14 intrastate transactions selected for testwork totaling \$98,414, two intrastate transactions for budgeted audit fees of \$5,500 were not supported by actual expenditures and therefore not an allowable cost.

Total intrastate transactions for the Appoquinimink School District for the year ended June 30, 2007 were \$304,054.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Lake Forest School District

Based on a sample of 15 intrastate transactions selected for testwork totaling \$20,436, two intrastate transactions for budgeted audit fees of \$1,250 were not supported by actual expenditures and therefore not an allowable cost.

Total intrastate transactions for the Lake Forest School District for the year ended June 30, 2007 were \$214,997.

Red Clay School District

Based on a sample of 32 intrastate transactions selected for testwork totaling \$396,257, there was one intrastate transaction totaling \$5,122 that was not approved by the appropriate personnel.

Nonpayroll transactions

Capital School District

Of the seven nonpayroll transactions selected for testwork totaling \$1,267, one transaction for \$259 was charged to Title I for the reimbursement of college credits, which is not considered an allowable cost in accordance with Title I program requirements and OMB Circular A-87.

Total nonpayroll transactions for the Capital School District for the year ended June 30, 2007 were \$927,193.

Red Clay School District

Of the 54 nonpayroll transactions selected for testwork totaling \$203,774, one transaction for \$147 was not approved by the appropriate personnel.

Cause

The School Districts cited above did not ensure that all transactions were properly reviewed for allowability and properly documented and/or did not maintain documentation to support the transaction.

Effect

Payment vouchers and intrastate vouchers were not appropriately approved by School District personnel in accordance with State and District policy. Review of transactions prior to processing (as evidenced by signature on the transaction document) is the primary control regarding the allowability of costs charged to federal awards.

Recommendation

We recommend that the School Districts cited above implement policies and procedures to ensure that payment and interstate vouchers are appropriately approved in accordance with State and District policy and that appropriate supporting documentation is maintained with all processed transactions.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Questioned Costs

Known questioned costs amounted to \$7,009, of which \$5,000 was charged to the Special Education Cluster, \$1,007 was charged Twenty-First Century Community Learning Centers, \$743 was charged to Vocational Education – Basic Grants to States and \$259 was charged to Title I Grants to Local Educational Agencies.

Views of Responsible Officials

<i>Appoquinimink School District</i>	
Agency Contact Name	Maryellen Brown
Agency Contact Phone Number	(302) 376-4128
Corrective Action Plan	The District has taken corrective action to address the early expense of audit fees. This change was made based upon corrective guidance given by the Department of Education in September 2007.
Anticipated Completion Date	March 2008
<i>Capital School District</i>	
Agency Contact Name	Sean Sokolowski
Agency Contact Phone Number	(302) 672-1512
Corrective Action Plan	Capital School district will refrain from using federal funds to reimburse employees for college tuition.
Anticipated Completion Date	March 1, 2008
<i>Lake Forest School District</i>	
Agency Contact Name	Christine DaCosta
Agency Contact Phone Number	(302) 284-3020
Corrective Action Plan	Lake Forest found the error prior to the audit, worked with the Dept of Education to determine corrective action. Paid back funds with a corrective IV prior to the audit, the funds were never spent just put into a holding account, which allowed the district to return the funds in the same fiscal period. Lake Forest will not allow an expense for audit fees in the future unless an actual audit was performed.
Anticipated Completion Date	March 2008
<i>Red Clay School District</i>	
Agency Contact Name	Jill Flores
Agency Contact Phone Number	(302) 552-3725
Corrective Action Plan	Red Clay has implemented procedures to verify signature approval prior to processing documents.
Anticipated Completion Date	March 1, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Brandywine School District
Caesar Rodney School District
Christina School District
Delmar School District
Lake Forest School District
Seaford School District

Reference Number: 07-ED-04

Program: 84.010 Title I Grants to Local Educational Agencies
84.048 Vocational Education – Basic Grants to States
84.027 Special Education Cluster
84.173
84.367 Improving Teacher Quality State Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Brandywine School District

Based on a sample of 21 payroll expenditures totaling \$26,235, seven employees totaling \$6,344 were charged 100% to federal programs, but lacked semi-annual time and effort reports signed by either the employee or their supervisor. In addition, four employees totaling \$5,361 were charged to federal programs, but did not account for 100% of their time on their time and effort report.

Caesar Rodney School District

Based on a sample of 15 payroll expenditures totaling \$16,564, one employee was charged 80% to a federal program which did not agree to the 100% reported on the employee's time and effort certification. In addition, five time and effort reports did not indicate the date they were signed by the employee.

Christina School District

Based on a sample of 32 payroll expenditures totaling \$74,854, one employee totaling \$1,532 was erroneously charged to the Improving Teacher Quality State Grants program. In addition, the time and effort reports for the remaining sample tested did not indicate the date they were signed by the employee.

Delmar School District

Based on a sample of 2 payroll expenditures totaling \$321, both employees in the sample who worked on multiple federal programs did not have monthly time and effort reports.

Lake Forest School District

Based on a sample of 20 payroll expenditures totaling \$15,213, one employee was charged 64% to a federal program which did not agree to the 50% of actual effort supported by the employee's time and effort report, resulting in an overcharge of \$306 to the Special Education Cluster. Two employees totaling \$2,791 were charged to federal programs, but did not account for 100% of their time on their time and effort report. In addition, one other employee charged federal programs for \$435, but did not indicate the percentages of actual effort on their time and effort report.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Seaford School District

Based on a sample of 12 payroll expenditures totaling \$11,880, seven employees totaling \$4,853 who worked on multiple federal programs did not sign their time and effort reports. Four of these effort reports totaling \$3,952 were not approved by the employee's supervisor. In addition, seven employees' time and effort reports totaling \$6,538 were approved by the employee's supervisor prior to the actual time being incurred.

Total salaries and benefit payments charged to federal programs were as follows:

Brandywine School District	\$5,869,341
Caesar Rodney School District	3,325,830
Christina School District	6,683,259
Delmar School District	391,847
Lake Forest School District	1,823,693
Seaford School District	2,703,019

Cause

The School Districts cited above did not maintain effort reporting for employees that were partially funded for federal programs and did not maintain semi-annual certifications for employees charged 100% to federal programs.

Effect

Salary and related costs allocated to the federal programs are not appropriately supported by semi-annual certifications or time and effort reports.

Recommendation

We recommend that the above School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source. These effort reports should only be signed to reflect actual effort expended.

Questioned Costs

Known questioned costs amounted to \$1,838, of which \$1,532 was charged to Improving Teacher Quality State Grants and \$306 was charged to the Special Education Cluster.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

<i>Brandywine School District</i>	
Agency Contact Name	David Blowman, CFO
Agency Contact Phone Number	(302) 793-5045
Corrective Action Plan	A review of the time reporting documents maintained at the program level will be conducted by the District's Finance Division as of March 31 to effect any needed procedural corrections well in advance of the fiscal year close.
Anticipated Completion Date	April 30, 2008
<i>Caesar Rodney School District</i>	
Agency Contact Name	Ada Twitchell
Agency Contact Phone Number	(302) 697-2173
Corrective Action Plan	Reported employee time and effort certifications will agree to actual payroll expenditures. In addition, a date line will be included with the signature line so that the employee will indicate the actual date of signature.
Anticipated Completion Date	March 31, 2008
<i>Christina School District</i>	
Agency Contact Name	Patrick O'Rourke
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	<p>As a result of a previous finding, a procedure (BUS-P001) was established to document the Time and Effort process in Christina School District. This procedure was revised to include a date on the Time and Effort Verification sheet, and it includes the appropriate controls to ensure time and effort reports are appropriately generated for anyone paid from federal funds.</p> <p>The \$1,532 which was erroneously charged to the Improving Teacher Quality State Grants program was charged in error to this grant. An EX document was prepared but never processed. The reason for this oversight is that the EX paperwork was misplaced. The District currently reviews actual payroll data to ensure alignment between what is being paid and what is documented on time and effort reports.</p>
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

<i>Delmar School District</i>	
Agency Contact Name	Charity Phillips
Agency Contact Phone Number	(302) 846-9544
Corrective Action Plan	The district will convene a Data Payroll Documentation Meeting with all staff who are funded partly or in full by federal funds. The purpose of this meeting will be to explain the procedures required for time and effort reporting. The District will provide sample forms to serve as models for time and effort documentation.
Anticipated Completion Date	March 31, 2008
<i>Lake Forest School District</i>	
Agency Contact Name	Christine DaCosta
Agency Contact Phone Number	(302) 284-3020
Corrective Action Plan	Lake Forest School District will implement the recommendation to ensure Time and Effort reports are reported correctly. Time and Effort Sheets will contain all sources of funding for an employee no matter what the source and be reported monthly.
Anticipated Completion Date	March 31, 2008
<i>Seaford School District</i>	
Agency Contact Name	Donna Blackburn
Agency Contact Phone Number	(302) 629-4587
Corrective Action Plan	The District has had communications with the responsible federal grant manager(s), and corrective action is being taken to insure that the required documentation is maintained.
Anticipated Completion Date	March 31, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Caesar Rodney School District

Reference Number: 07-ED-05

Program: 84.048 Vocational Education – Basic Grants to States

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Procurement

Criteria

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Condition

For one of the five vendors selected for testwork, the District did not follow the proper procurement process. The District could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process (sole source statement) had been made.

Total payments made to the one vendor with federal funds were \$52,295 for the year ended June 30, 2007.

Cause

The equipment purchased under the one vendor contract was a replacement for existing equipment. Due to comparability concerns, further vendors were not reviewed by the District. However, the reason for the lack of competition was not formally documented in a sole source statement in accordance with State procurement policy.

Effect

Federal funds were awarded to a vendor without going through the proper procurement process.

Recommendation

We recommend that the District ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. In cases where competition is limited, justification and approval should be documented in the contract file via a sole source statement.

Questioned Costs

Questioned costs are \$52,295, the total expenditures to the one vendor that was not properly bid.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Ada Twitchell
Agency Contact Phone Number	(302) 697-2173
Corrective Action Plan	The Caesar Rodney School District does and will ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. The District will document the justification and approval in the contract file where competition is limited and/or where exceptions to competitive bidding apply.
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Education

Christina School District

Reference Number: 07-ED-06

Program: 84.010 Title I Grants to Local Educational Agencies

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

If a Local Education Agency (LEA or School District) consolidates administrative funds, the LEA may not use any other funds from the consolidating programs for administration. An LEA that consolidates administrative funds is not required to keep separate records of administrative costs for each individual program. Expenditures of consolidated administrative funds are allowable if they are for administrative costs that are allowable under any of the contributing programs (Sections 9201 and 9203 of ESEA (20 USC 7821 and 7823)).

The LEA may treat the consolidated administrative cost objective as a “dedicated function.” As a result, an employee who works solely on consolidated administrative activities may meet the semi-annual certification requirement under OMB Circular A-87, Attachment B, paragraph 8.h.(3), either by submitting semi-annual certifications to cover the consolidated activities or through time and attendance certifications accomplished under the State’s or the LEA’s normal standards for payroll documentation.

Under section 14203 of Title XIV, an LEA may consolidate administrative funds with the approval of its SEA (State Education Agency or State Department of Education). The SEA must develop procedures for responding to requests from LEAs to consolidate administrative funds and those procedures must be developed in collaboration with LEAs. Therefore, the SEA has some discretion in determining whether its LEAs may consolidate administrative funds, but the LEAs also have input into that determination. An SEA, however, may not require its LEAs to consolidate administrative funds.

Condition

The School District did not obtain formal approval from the State Department of Education to consolidate its administrative funds. In addition, the Vocational Education program was being included as part of the consolidated administrative funds, even though that program is not a covered program for consolidation.

Cause

The consolidation of administrative funds was a new initiative and some of the requirements did not get formally reviewed and documented before being implemented.

Effect

Since the consolidation of federal administrative funds was not formally approved, federal administrative staff may be required to complete monthly time and effort reports in place of the semi-annual certifications that are presently being maintained. The administrative staff is improperly including

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Vocational Education as part of its consolidated administrative funds; however, because only 1% of actual effort was allocated from the two federal administrative staff, the amount allocated is not material.

Recommendation

We recommend that the District obtain formal approval from the State Department of Education to consolidate its federal administrative funds and ensure that such funds only consist of covered programs for consolidation.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Patrick O'Rourke
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	The Christina School District procedure for Time and Effort Reporting (BUS-P001) includes guidance for Consolidating administrative funds. This procedure has been revised to incorporate the guidance from "QUESTIONS AND ANSWERS on CERTAIN PROVISIONS of TITLE XIV of the ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965", about which funds can be consolidated, to add the requirement for SEA approval, and to add a date line on the semi-annual certification form.
Anticipated Completion Date	April 12, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Elections

Commissioner of Elections

Reference Number: 07-COE-01

Program: 90.401 Election Reform Payments

Type of Finding: Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

Nonpayroll Transactions

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Intrastate Transactions

The State's *Budget and Accounting Manual*, Chapter 7.C.6(g)(2) states:

The authorized signatures for the intergovernmental voucher (IV) must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- a) Where buying and selling agencies are the same, the approval signatures for buyer and seller may be the same, and is to be signed in the buying agency block.
- b) Where buying and selling agencies are different, the approval signatures must be different, unless:
 - The buying and selling agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.

Condition

Nonpayroll transactions

One of 10 nonpayroll transactions selected for test work totaling \$1,200 was not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Manual*. The total dollar value of the 10 transactions was \$3,063,695. This transaction was for an allowable expenditure.

Total nonpayroll transactions processed by the program for the year ended June 30, 2007 totaled \$3,842,318.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Intrastate transactions

Three of 9 intrastate transactions selected for test work totaling \$44,848 were not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Manual*. The total dollar value of the 9 transactions was \$168,869. These transactions were for allowable expenditures.

Total intrastate transactions (intergovernmental vouchers and expenditure correction documents) processed by the program for the year ended June 30, 2007 totaled \$325,894. Total expenditures for the program were \$4,277,000.

Cause

COE did not ensure that all transactions were properly reviewed for allowability and properly documented.

Effect

Payment vouchers and intergovernmental vouchers were not appropriately approved by the COE Election Reform Payments program in accordance with State and agency policy. Review of transactions prior to processing (as evidenced by signature on the transaction document) is the primary agency control to review the allowability of costs charged to federal awards.

Recommendation

We recommend that COE implement policies and procedures to ensure that payment vouchers and intergovernmental vouchers are appropriately approved in accordance with State and agency policy.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Elaine Manlove
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	All payment vouchers and intergovernmental vouchers are appropriately being approved in accordance with State and agency policy. Signature stamps are no longer allowed and every document has the appropriate signature.
Anticipated Completion Date	July 1, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Elections

Commissioner of Elections

Reference Number: 07-COE-02

Program: 90.401 Election Reform Payments

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Procurement, Suspension, and Debarment

Criteria

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Under applicable State law, COE is exempt from following the provisions of State procurement policies (as detailed in Chapter 69 of the *Delaware Code*).

Suspension and Debarment

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension")

Condition

Although the Department of Elections is exempt from State procurement law, the U.S. Election Assistance Commission did not provide an exemption to COE regarding federal procurement, suspension, and debarment policies. As a result, COE is required to comply with federal regulations/requirements when procuring materials/services with federal funds.

For two out of three vendors tested, COE asserted that the procurements were made based on sole source justification. However, the appropriate documentation to support this determination was not available. Also, the COE could not provide evidence of an executed contract between the COE and the vendors for the services provided during the audit period. Total voting machine and voting machine upgrade expenditures paid to the two vendors for Fiscal Year 2007 totaled \$3,001,625. Total program expenditures for Fiscal Year 2007 totaled \$4,277,000.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Cause

COE did not comply with federal procurement, suspension, and debarment requirements because the Department is exempt from following State procurement policies.

Effect

The contracting of the purchase of voting machines and upgrades to voting machines were not in accordance with federal guidelines.

Recommendation

We recommend that COE implement internal control policies and procedures to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Elaine Manlove
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	Sole source documentation is now on file in the Commissioner of Elections Office. This office, however, was advised by the Election Assistance Commission that following the state procurement law exempted us from the federal procurement requirement.
Anticipated Completion Date	July 1, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Elections

Commissioner of Elections

Reference Number: 07-COE-03

Program: 90.401 Election Reform Payments

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Criteria

COE is required to submit annual SF-269 Forms (OMB No. 0348-0039), Financial Status Reports, to the U.S. Election Assistance Commission (EAC), which summarizes the program's expenditures (OMB Circular A-102 [paragraph 2.b]).

Condition

The SF-269 Form submitted for the period ended September 30, 2006, did not properly separate outlays between the federal share and the required state match. All expenditures incurred during the reporting period are reported as federal outlays, resulting in an overstatement of the federal share by \$24,488 and a corresponding understatement of the state share. In addition, one of the three SF-269 reports submitted to the EAC during the audit period did not contain an authorized signature as evidence of proper review and approval.

Cause

COE was not aware that the amounts reported on the SF-269 form should separate reported outlays between the federal share and state match funds.

Effect

COE did not accurately report the federal and state outlay amounts in the SF-269 Form to the U.S. Election Assistance Commission for the period ended September 30, 2006.

Recommendation

We recommend that COE implement internal controls to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Elaine Manlove
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	The SF-269 will be reviewed by the Commissioner of Elections as well as one other individual on this staff. Any questions will be resolved through contact with the EAC before the report is submitted.
Anticipated Completion Date	July 1, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Reference Number: 07-DHSS-01

Program: 10.551, Food Stamp Cluster

10.561

66.468 Capitalization Grants for Drinking Water State Revolving Funds

93.044, Aging Cluster

93.045,

93.053

93.268 Immunization Grants

93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance

93.563 Child Support Enforcement

93.558 Temporary Assistance For Needy Families

93.959 Block Grants for Prevention and Treatment of Substance Abuse

93.568 Low Income Home Energy Assistance Program

93.596 Child Care Cluster

93.667 Social Services Block Grant

93.767 State Children's Health Insurance Program

93.775, Medical Assistance Cluster

93.777,

93.778

93.917 HIV Care Formula Grants

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Cash Management

Criteria

Under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act of 1992, codified at 31 USC 6501 and 31 USC 6503, the State of Delaware has entered into a Cash Management Improvement Act Agreement (Agreement) between the State of Delaware and the U.S. Secretary of the Treasury.

All CFDA numbers with expenditures greater than \$7.54 million are considered Subpart A programs under the jurisdiction of the Treasury-State agreement (note that there is no clustering for purposes of the Treasury-State agreement). All other CFDA numbers (and programs without CFDA numbers) are considered Subpart B programs. For Subpart B programs, "cash advances to the State shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of the cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs" (31 CFR section 205.7 and 205.20). The State of Delaware as a practical matter generally applies the same funding techniques required for its subpart A programs to its subpart B programs.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

The predominant funding technique for the State is the Composite Clearance method, which is defined in the agreement as follows:

“The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified...The request shall be made in accordance with the appropriate Federal agency cut-off time specified...The amount of the request shall be the sum of the payments issued in the series of disbursements.”

A State must submit to [the federal government] an Annual Report accounting for State and Federal interest liabilities of the State’s most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends...a State must submit a description and supporting documentation for liability claims greater than \$5,000 (31CFR Part 205.26).

Condition

For 9 of the 10 drawdowns selected for testing, we noted that the amount of the drawdown did not agree to supporting documentation from the State’s general ledger, Delaware Financial Management System (DFMS). We noted in certain cases the drawdown request exceeded the supporting expenditure amounts in DFMS.

Cause

Lack of management review to ensure drawdown amounts are properly reconciled to the disbursements per the State’s general ledger (DFMS).

Effect

Amounts drawn down may not be in compliance with the Agreement.

Recommendation

We recommend that the Department enhance its policies and procedures for drawing down federal funds in order to ensure they are in compliance with the terms of the Agreement.

Questioned Costs

Questioned costs are not determinable.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Robert Bubacz
Agency Contact Phone Number	(302) 255-9247
Corrective Action Plan	The Department has implemented changes to the drawdown process which includes review of the daily validity report (first business day of week) and screen prints of the DFMS APPR ledger, as appropriate to justify the draw down. Written policies and procedures for the draw down process of federal funds will be developed by June 30, 2008.
Anticipated Completion Date	June 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Reference Number: 07-DHSS-02

Program: 10.551, Food Stamp Cluster

10.561

93.558 Temporary Assistance For Needy Families

93.596 Child Care Cluster

93.667 Social Services Block Grant

93.767 State Children's Health Insurance Program

93.775, Medical Assistance Cluster

93.777,

93.778

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

The State follows a Public Assistance Cost Allocation Plan (PACAP) that administers Federal programs within the Division of Social Services (DSS), Division of Medicaid and Medical Assistance (DMMA), and Divisions of Management Services, all of which are divisions within the Delaware Department of Health and Social Services (DHSS). The PACAP plan was effective for the period July 1, 2005 through September 30, 2007. A State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan (45 CFR section 95.507).

Condition

The Department did not follow its cost allocation plan when charging costs related to DMMA. The PACAP plan designates DMMA costs to be charged directly to the Medicaid program or through the indirect charge method across all DMMA programs. However, the Department was incorrectly allocating the DMMA related costs among the DSS programs, as the Department was still in transition in separating the DMMA division from DSS during Fiscal Year 2007.

Cause

The State did not set up the proper allocation method within its general ledger system to allocate DMMA costs in accordance with the approved PACAP.

Effect

DMMA costs were charged incorrectly to DSS federal programs and were not charged in accordance with the approved PACAP.

Recommendation

We recommend the State ensures its general ledger, Delaware Financial Management System (DFMS), is properly configured to allocate costs out of the cost pool in accordance with its approved PACAP plan. We also recommend that the PACAP plan be revised to reflect an allocation of costs to federal programs based on the true effort being provided to those federal programs. The State should also implement

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

procedures to perform a review of the costs being allocated out of the cost pool to ensure it is being allocated in accordance with the approved PACAP.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Robert Bubacz
Agency Contact Phone Number	(302) 255-9247
Corrective Action Plan	The Department initiated steps prior to the start of this audit to revise the PACAP. In September of 2007, a revision to the conditionally approved PACAP (2005) was submitted to the Division of Cost Allocation (DCA) for review and approval. DHSS is seeking resolution to cost allocation concerns through the Peoplesoft Accounting system that will be implemented in Fiscal Year 2010.
Anticipated Completion Date	July 2009

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Services for Aging and Adults with Physical Disabilities

Reference Number: 07-AGI-01

Program: 93.044, Aging Cluster

93.045,

93.053

93.667 Social Services Block Grant

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods; and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample result.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives; however, while tracking of effort is performed for employees in the Client Services Unit, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Cause

A system to appropriately allocate salary costs based on effort is in process.

Effect

Salaries may be inappropriately allocated to the Aging Cluster.

Recommendation

We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Questioned Costs

Questioned costs are \$1,353,347, which represent total salaries of \$937,694 and fringe costs of \$415,653 allocated to the program for individuals subject to time studies.

Views of Responsible Officials

Agency Contact Name	Albert Griffith
Agency Contact Phone Number	(302) 255-9355
Corrective Action Plan	The Division of Services for Aging and Adults with Physical Disabilities (DSAAPD) utilizes a federally approved cost allocation system for tracking employee's time. The system to accurately adjust funding corrections has been developed but is in the testing phase. Currently information is aggregated and requires additional time to provide detailed information. The Division will continue to explore options to monitor and manage the entire process.
Anticipated Completion Date	June 2009

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Services for Aging and Adults with Physical Disabilities

Reference Number: 07-AGI-02

Program: 93.044, Aging Cluster

93.045,

93.053

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's Fiscal Year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

Subrecipients with expenditures less than \$500,000 do not receive an audit according to OMB Circular A-133. Of the 10 subrecipients tested, we noted that management was not performing any testing during its site visits to ensure that program income being reported by these subrecipients was correct or complete. Thus, we were unable to determine that program income for these entities was being applied to the program according to the applicable federal requirements.

Cause

During site visits, program income is not reviewed to ensure the subrecipient has a system in place to properly collect and record all voluntary program income and ensure all the program income is properly reported to DSAAPD.

Effect

Subrecipients may not be in compliance with applicable program income requirements.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

We recommend that management implement procedures during its site visits to review controls in place at the subrecipient level over collecting, tracking and reporting program income. We recommend that DSAAPD consider verifying the program income reported by subrecipients on quarterly reports submitted to DSAAPD against supporting documents during its site visits.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Albert Griffith
Agency Contact Phone Number	(302) 255-9355
Corrective Action Plan	The Division of Services for Aging and Adults with Physical Disabilities (DSAAPD) monitors all contracts annually. Currently, during the monitoring, program income activity is reviewed by the Program Manager. DSAAPD will implement procedures to review controls in place at the Provider level to ensure accurate reporting of program income.
Anticipated Completion Date	June 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 07-CSE-01

Program: 93.563 Child Support Enforcement

Type of Finding: Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Paternity and Support Obligations and Medical Support Obligations)

Criteria

Paternity and Support Obligations

Federal regulations require that the agency responsible for child support enforcement (IV-D agency) attempt to establish paternity and a support obligation for children born out of wedlock. The IV-D agency must establish a support obligation where paternity is not an issue by providing services within specified time frames to ensure that these services are carried out. (CFR § 303.3(b) (3)).

Medical Support Obligations

Federal regulations require that the IV-D agency attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for DCSE services. The IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court to include medical support in the form of health insurance coverage in all new or modified orders for support. In cases where medical support is ordered, the agency is required to verify that it was obtained or enforce the court order if it was not obtained. Finally, the agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order (45 CFR § 303.31).

Condition

In prior years, it was recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. It was also recommended that DCSE enhance DACSES to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

It was further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity, support and medical support obligations. It is also noted DCSE should ensure evidence of appropriate documentation of programmer access or change control for programmers be maintained in the new computer system.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2007.

Cause

Management is continuing to work on the implementation of the findings from prior years and has not been able to fully implement all corrective actions in the current year.

Effect

If action is not taken within the required time frames, paternity is not established, when applicable, and support obligations therefore cannot be established.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Work list management initiative
- Training initiative
- Redistribution of caseloads
- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- National medical support notice
- New DACSES system

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Theodore Mermigos, Midge Holland, and Andrew Haman
Agency Contact Phone Number	(302) 395-6520
Corrective Action Plan	<u>Work list Management Initiative</u> Phase I: Eliminate the creation of duplicate work list items. COMPLETED 9/5/04 Phase II: Consolidation of the creation of the work list items, including a new hierarchy of the work list items. COMPLETED 4/17/05 Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. COMPLETED 6/20/07

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

<p>Corrective Action Plan (continued)</p>	<p>Phase IV: All processes and work lists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to work list items.</p> <p>Phase V: Evaluation Completion of the total Work list Management initiative is projected for December 2008 (significant amount of time is required for data cleanup as this is the final phase).</p> <p><u>Caseload Distribution</u> DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.</p> <p>There will be two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.</p> <p>Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases. COMPLETED AND IMPLEMENTED STATEWIDE 1/22/08</p> <p><u>New DACSES</u> Below are summary of plans for the implementation of a child support information system to replace DACSES</p> <p>1. The DASCES database conversion project was completed ahead of schedule in February 2006.</p>
---	---

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>2. The contract for the Feasibility Alternatives and Cost/Benefit Analysis necessary to begin the process to replace DACSES was awarded in February 2006.</p> <p>3. The Feasibility Study is well underway. The alternatives analysis and cost benefit portions of the study are completed and undergoing final revisions by the Contractor, PSI. When the Federal review of those documents is completed PSI will begin to develop the Implementation Advance Planning Document, which is required to secure federal funding. When the IAPD is approved, PSI will draft the RFP to solicit a vendor for implementation. The planning phase is scheduled to be completed in April 2008.</p> <p>4. The implementation phase of the DACSES replacement was scheduled to begin during the 2nd quarter of SFY 2008. However, it was not funded in the State's FY08 budget. The Department has committed to continuing the effort by funding a critical business process reengineering project which will begin in the last quarter of SFY 2007 and will be completed in approximately 12 months. DCSE will re-submit its request for implementation funding in the SFY 2009 budget.</p> <p>Documentation of programmer access or change control for programmers is maintained in the new computer system.</p> <p><u>Response</u></p> <p>Currently, programmer access is documented outside of the DACSES application within ACF-2. Change Control is maintained outside of DACSES in a manually kept record which includes a physical sign-off on enhancements and corrective actions. Signed documents are scanned and saved on a central file system.</p> <p>In the future, the requirements for the replacement of our existing system include the security controls that will document programmer access and change controls. This functionality may reside outside of the actual Child Support application, if it is more cost effective.</p>
Anticipated Completion Date	June 2009

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 07-DMMA-01

Program: 93.775, Medical Assistance Cluster

93.777,

93.778

Type of Finding: Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability (TPL) is established after the claim is paid, reimbursement from the third party should be sought (42 CFR sections 433.135 through 433.154).

Condition

For 40 TPL claims tested in 2007, we noted that the State's third party service provider sought reimbursement from at least one insurance provider by for all claims tested. However, we were unable to determine the extent to which reimbursement was sought for claims with open reimbursement status. This represents 4 out of the 40 claims reviewed. We also noted the State does not currently communicate with the service provider regarding the status of open claims and does not monitor the claims collections process.

Cause

DMMA does not have a policy manual that outlines State and third party service provider responsibilities over the management of open TPL claims.

Effect

There is a risk that reimbursement for claims will not be adequately sought. There is also a risk that TPL related accounts receivable and collections will not be properly recorded and presented in financial reports.

Recommendation

The State is currently in the process of developing a TPL policy manual. We recommend that the manual includes specific language as to the responsibilities of all parties involved and that the policies noted in the manual be immediately implemented by the State.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Nicci Johnson
Agency Contact Phone Number	(302) 255-9546
Corrective Action Plan	The State will work collaboratively with its fiscal agent, EDS and its service provider, HMS to identify explicit parameters for the extent and duration of reasonable and necessary collections efforts associated with pay and chase recoveries. Together we will develop a more aggressive plan for seeking potential reimbursement from unresponsive providers.
Anticipated Completion Date	December 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 07-DMMA-02

Program: 93.775, Medical Assistance Cluster

93.777,

93.778

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs (Overpayments to Providers)

Criteria

The State is required to credit the Medicaid program for overpayments made to providers of medical services within specified timeframes. In most cases, the State must refund provider overpayments to the Federal government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider (CFR sections 433.300 through 433.320 and 433.40).

Condition

We reviewed 40 provider overpayments identified during the year and noted that the State has not fully implemented a process as of June 30, 2007, to properly track individual provider overpayments collected via check. While the State does reduce the reimbursement from the Medicaid program by way of summary level cash collections reports, there was no current way to track individual checks received in order to ensure that cash collections were properly accounted for and managed. Starting in Fiscal Year 2008, the State has implemented the necessary processes and reports to track the individual provider overpayments collected via check.

Cause

The State is still in the process of implementing processes and procedures that will enable them to track individual checks received related to provider overpayments.

Effect

Provider overpayments collected during the quarter by check, may not be completely or accurately reported on the weekly invoices used to calculate the State's federal reimbursement. As such, the amount of weekly federal reimbursements may be inaccurate.

Recommendation

We continue to recommend that DMMA implement procedures to track individual provider overpayments collected via check. This will ensure that reports currently used by DHSS to determine federal reimbursement credits are complete and accurate.

Questioned Costs

Not determinable due to lack of supporting system reports.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Melissa Motter-Pelletier
Agency Contact Phone Number	(302) 255-9249
Corrective Action Plan	During FY 2007, DHSS implemented the necessary processes and reports to track provider overpayments collected via check. These processes will be in effect for all of FY08.
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Divisions of Medicaid and Medical Assistance and Social Services

Reference Number: 07-DMMA-03

Program: 93.596 Child Care Cluster

93.558 Temporary Assistance for Needy Families

93.775, Medical Assistance Cluster

93.777,

93.778

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Eligibility

Criteria

Child Care Cluster

The approved plan provides the specific eligibility requirements selected by each State/territory/tribe. Those requirements must comply with the following Federal requirements for individual eligibility:

- a. Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services (42 USC 9858n(4); 45 CFR section 98.20(a)).

Temporary Assistance for Needy Families

The State or Tribal Plan provides the specifics on how eligibility is determined in each State or tribal service area. Plan and eligibility requirements must comply with the following Federal requirements:

Federal Only, Commingled Federal/State, Segregated State, and Separate State Program

To be eligible for TANF “assistance” as defined in 45 CFR section 260.31 or any MOE-funded benefits, services, or “assistance,” a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. A family must also be “needy,” i.e., financially eligible according to the State’s applicable income and resource criteria (42 USC 602, 602(a)(1)(B)(iii), 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2) and 45 CFR section 263.2(b)(2)).

Medical Assistance Program

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).

The State or its designee shall:

- (1) Require a written application signed under penalty of perjury and include in each applicant’s case records facts to support the agency’s decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

States are required to operate a Medicaid Eligibility Quality Control System (MEQC) system in accordance with requirements established by CMS. The MEQC system redetermines eligibility for individual sampled cases of beneficiary eligibility made by State Medicaid agencies, or their designees. Statistical sampling methods are used to select claims for review and project the number and dollar impact of incorrect payments to ineligible beneficiaries (42 USC 1396b; 42 CFR sections 431.800 through 431.865).

However, most States are operating MEQC pilots or have been given a waiver from the traditional MEQC program described in regulation. The pilots and waivers differ from the traditional MEQC program by performing special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration (42 USC 1396b; 42 CFR sections 431.800 through 431.865).

Condition

For two of 70 participants selected for eligibility test work, a recipient file, which typically includes documentation of individual eligibility, was unable to be found by program staff. Due to the missing documentation, it was indeterminable if the participant was eligible according to the criteria stated above.

Also, for three of 40 cases selected for MEQC eligibility test work, the case file, which includes documentation of eligibility re-determinations, was unable to be located by program staff.

Cause

Inadequate management/maintenance of case files.

Effect

The Divisions did not maintain the physical case file, which include the signed participant applications noted in the criteria section above. If documentation used to support and determine individual eligibility is not maintained by program staff, there is a potential for ineligible individuals to receive benefits.

Recommendation

The Divisions should implement policies and procedures to aid in the maintenance and storage of participant case files. Also, we recommend that case files are reviewed to ensure that all eligible cases are properly supported by adequate levels of documentation.

Questioned costs

Child Care Cluster

Total questioned costs are \$16,451, which represents the benefits received by the two participants.

Temporary Assistance for Needy Families

Total questioned costs are \$2,391, which represents the benefits received by the two participants.

Medical Assistance Program

Total questioned costs are \$1,220, which represents the benefits received by the two participants.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	(302) 255-9580
Corrective Action Plan	With over 65,000 active paper case records in the Field offices and three times that amount of inactive case records, occasionally paper case records are misplaced. When this occurs the paper case records is reconstructed. These cases will be reconstructed.
Anticipated Completion Date	May 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-01

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

93.268 Immunization Grants

93.917 Formula Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems, which use sampling methods, must meet acceptable statistical sampling standards, including:

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Supplemental Nutrition Program for Women, Infants, and Children (WIC)

All employees who work for WIC are 100% charged to the program and are therefore required to fill out semi-annual certifications in accordance with OMB Circular A-87. One out of 11 employees selected for testing did not certify their time.

Immunization Grants

Employees who are 100% charged to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet developed a system to accurately allocate costs based on actual effort. Thirteen out of 18 employees selected for testing did not certify their time.

HIV Care Formula Grants

Employees who are 100% charged to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet developed a system to accurately allocate costs based on actual effort. Four out of 8 employees selected for testing did not certify their time.

Cause

WIC

The employee completed a semi-annual certification that he did not spend 100% of his time on WIC activities.

Immunization Grants and HIV Care Formula Grants

Employees' salaries and benefits are charged to Federal grants based on its full-time equivalent ratio, which is how the budget is set up in the PHRST payroll system. The budgeted amounts are used exclusively, and there is no control to true up the allocation based on semi-annual certifications that are signed by the employees.

Effect

Salaries and benefits of employees who did not work 100% on the federal grant are charged to programs without proper documentation.

Recommendation

We recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Questioned Costs

WIC

Questioned costs are \$48,043, which represents the total salaries and benefits paid to the one employee.

Immunization Grants

Questioned costs are \$297,275, which represents the total salaries and benefits paid to the 13 employees.

HIV Care Formula Grants

Questioned costs are \$143,371, which represents the total salaries and benefits paid to the 4 employees.

Views of Responsible Officials

Agency Contact Name	Martin Luta
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	<p>In May 07, the Health Promotion and Disease Prevention Section (which includes Immunizations and HIV) set up an internal process to ensure employee certification. Certification is accomplished at the end of each quarter. In May 08, this system will be in existence for a year and will be fully mature.</p> <p>Effective July 10, 2007, the WIC employee in question spends 100% of his time on WIC activities. He completes a quarterly audit statement to verify he spends 100% of his time on the WIC grant.</p>
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-02

Program: 66.468 Capitalization Grants for Drinking Water State Revolving Funds

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs/Allowable Activities

Criteria

(40 CFR § 35.3535) Local assistance and other State programs. A State may use up to 15 percent of its capitalization grant to assist in the development and implementation of local drinking water protection initiatives and other State programs. No more than 10 percent of the capitalization grant amount can be used for any one authorized activity.

(1) This set-aside may only be used for the following activities:

- (i) A State may provide assistance only in the form of loans to community water systems and non-profit noncommunity water systems to acquire land or conservation easements from willing sellers or grantors.
- (ii) A State may provide assistance only in the form of loans to community water systems to assist in implementing voluntary, incentive-based source water protection measures in areas delineated under a source water assessment program under section 1453 of the Act and for source water petitions under section 1454 of the Act.
- (iii) A State may make expenditures to establish and implement wellhead protection programs under section 1428 of the Act.
- (iv) A State may provide assistance, including technical and financial assistance, to public water systems as part of a capacity development strategy under section 1420(c) of the Act.
- (v) A State may make expenditures from its fiscal year 1997 capitalization grant to delineate and assess source water protection areas for public water systems under section 1453 of the Act.

Condition

The Office of Drinking Water used set-aside funds (as defined in the criteria above) to purchase an electronic surge protection system for the Division of Public Health Laboratory. This activity is not allowable under the above 15% set aside criteria. The expenditure was erroneously coded to an incorrect appropriation code under the capitalization grant.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Cause

The Office of Drinking Water did not ensure all transactions were properly coded to an allowable appropriation code in its general ledger.

Effect

Costs have been charged to an incorrect appropriation code under the capitalization grant.

Recommendation

We recommend that the Office of Drinking Water follow its policies and procedures to ensure that all expenditure activity is allowable and properly coded to the correct appropriation code in its general ledger.

Questioned Costs

Questioned costs are \$59,535 related to the activity noted above.

Views of Responsible Officials

Agency Contact Name	Thom May
Agency Contact Phone Number	(302) 744-4705
Corrective Action Plan	The Division of Public Health will recode the \$59,535 questioned expenditure to the appropriate Drinking Water State Revolving Fund set-aside (the 10% set-aside).
Anticipated Completion Date	May 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-03

**Program: 93.283 Centers for Disease Control and Prevention,
Investigations, and Technical Assistance**

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Davis-Bacon Act

Criteria

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

Condition

During Fiscal Year 2007, \$344,821 in federal funds were expended in Public Health Preparedness Section (PHPS) construction projects for which the contractor did not contemporaneously submit certified payroll records to the State. The projects were 100% federally funded.

Although the PHPS was aware that the federal prevailing wage rates applied and the contractor was so informed, the PHPS did not have policies and procedures in place to require submission of and monitor certified payrolls.

Cause

Federally funded construction projects are infrequent for most State agencies, including the PHPS.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for Federally funded projects.

Effect

Differences between State and federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to Federally funded or jointly funded construction projects.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of Federal construction projects, we recommend that the PHPS develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Michael Bundek
Agency Contact Phone Number	(302) 255-9278
Corrective Action Plan	DMS will work to develop procedures to ensure DHSS is in compliance with the Davis-Bacon Act on federally funded construction projects.
Anticipated Completion Date	May 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-04

**Program: 93.283 Centers for Disease Control and Prevention,
Investigations, and Technical assistance**

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Equipment and Real Property Management

Criteria

The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
 - a. A description of the equipment.
 - b. Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - c. Source of the equipment, including the award number.
 - d. Whether title vests in the recipient or the Federal Government
 - e. Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - f. Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - g. Location and condition of the equipment and the date the information was reported.
 - h. Unit acquisition cost.
 - i. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share.
- (2) Equipment owned by the Federal government shall be identified to indicate federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment record at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the differences. The recipient shall, in connection with the inventory, verify existence, current utilization, and continued need for the equipment. (OMB Circular A-110, Subpart C – 34 (f))

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Condition

Public Health Preparedness Section (PHPS) has not maintained records of federally funded equipment or tracked it according to OMB Circular A-110, Subpart C. In addition there has not been a physical inventory of equipment performed in the last two years.

Cause

Although there are policies and procedures in place, those policies and procedures do not adequately address the federal requirements for equipment purchases.

Effect

Equipment purchased with federal funds related to the PHPS could not be identified for testing and therefore could be used for unauthorized projects or improperly disposed of.

Recommendation

We recommend that the CDC Program maintain accounting records and track equipment in accordance with Circular A-110. We also recommend that CDC ensure periodic physical inventories are taken and reconciled at least once every two years.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Joe Hughes
Agency Contact Phone Number	(302) 223-1720
Corrective Action Plan	<p>PHPS has maintained records of federally funded equipment. There has been a physical inventory conducted at least once each year. The only items with which we are not in compliance are items (1) b., the Federal stock number and national stock number are not maintained. (1) c. The equipment is not separated or identified by funding source. (1) e. the acquisition date of each item has not been maintained.</p> <p>The inventory management system will be updated to include the items with which the program is not compliant. These items will be researched for the past five years, as well as all purchases from this date forward. An automated Inventory Resource Management System will be implemented by the Preparedness Program by July 31, 2008, and will have all of the criteria items included. A manual system will be developed in the meantime for the current year to include all criteria in preparation for the next audit.</p>
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-05

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Type of Finding: Noncompliance

Compliance Requirement(s): Suspension and Debarment

Criteria

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension").

Condition

For 1 of the 4 vendors selected for testing, we noted that the vendor contract did not contain language requiring the vendor to certify that they were not suspended or debarred.

Cause

The Program did not perform the required suspension and debarment functions, as detailed in the criteria section above.

Effect

The Program may award federally funded contracts to disallowed vendors.

Recommendation

We recommend that DPH add procedures to ensure that the required suspension and debarment verification procedures are performed.

Questioned Costs

There are no questioned costs associated with this finding; the contracted entity was not on the EPLS based on our audit procedures.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Mary Perkins
Agency Contact Phone Number	(302) 744-4706
Corrective Action Plan	The Grants & Contracts Bureau within the Support Services Section of DPH will ensure that the suspension and disbarment clause is contained in all contracts and agreements that are paid for from federal funds.
Anticipated Completion Date	June 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-06

Program: 93.268 Immunization Grants

Type of Finding: Noncompliance

Compliance Requirement(s): Reporting

Criteria

An annual Financial Status Report (FSR) must be completed within 90 days after the end of the budget period. This report (Standard Form 269) must be submitted by March 31, 2007 for the reporting period January 1, 2006 through December 31, 2006, and it should include only those funds authorized and expended during the budget period (Notice of Cooperative Agreement, 45 CFR 92.41)

Condition

The interim FSR completed for award H23/CCH322567-03 for the year ending December 31, 2006, was not submitted within the required 90-day timeframe. This report was submitted on July 9, 2007.

Cause

The Program attempted to provide the most up-to-date information through the due date of the report to the Federal-granting agency.

Effect

The interim FSR was submitted outside the federal required timeframe.

Recommendation

We recommend that the Program's policies and procedures be amended to ensure that cut-off for federal financial reporting is proper, and that reports are completed in a timely manner going forward.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Martin Luta
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	Procedures have been amended to ensure federal financial reporting is proper and timely.
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-07

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Type of Finding: Qualification (Scope Limitation), Material Weakness

Compliance Requirement(s): Eligibility

Criteria

Applicants for the Supplemental Nutrition Program for Women, Infants, and Children (WIC) Program benefits are screened at WIC clinic sites to determine their WIC eligibility. To be certified eligible, they must meet the following eligibility criteria (7 CFR sections 246.7(c), (d), (e), (g), and (l)):

- a. Categorical - Eligibility is restricted to pregnant, postpartum, and breast-feeding women, infants, and children up to their fifth birthday (7 CFR sections 246.2 (definition of each category) and 246.7(c)).
- b. Identity and Residency - Except in limited circumstances, WIC applicants must be physically present for eligibility screenings and must provide proof of identity. An applicant must also meet the State agency's residency requirement. Except in the case of Indian State agencies, the applicant must reside in the jurisdiction of the State. Indian State agencies may require applicants to reside within their jurisdiction. All State agencies may designate service areas for any local agency, and may require that applicants reside within the service area. A State agency must establish procedures, in accordance with guidance from FNS, to prevent the same individual from receiving duplicate benefits through participation at more than one local agency. Except under limited circumstances, WIC applicants must present proof of identity and residency at certification. Documentation of these determinations may consist of descriptions of documents evidencing the applicants' identities and residency, copies of the documents themselves, and/or the applicants' written statements when no other documentation exists. Certification procedures prescribed by the State agency set conditions for relying on these different forms of documentation (42 USC 1786(f)(23); 7 CFR sections 246.7(c)(1), 246.7(i)(3) and (4), and 246.7 (l)(2)).
- c. Income - An applicant must meet an income standard established by the State agency or be determined to be automatically (adjunctively) income-eligible based on documentation of his/her eligibility, or certain family members' eligibility, for the following Federal programs: (1) Temporary Assistance for Needy Families (formerly Aid To Families With Dependent Children); (2) Medicaid; or (3) Food Stamps. State agencies may also determine an individual automatically income-eligible, based on documentation of his/her eligibility for certain State-administered programs. With limited exceptions, applicants who are not adjunctively or automatically income eligible for WIC must provide documentation of family income at their initial or subsequent certification (42 USC 1786(d)(3)(D); 7 CFR sections 246.2 (definition of "family"), 246.7(c), and 246.7(d)).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Income Guidelines - The income standard established by the State agency may be up to 185 percent of the poverty income guidelines issued annually by HHS or State or local income guidelines used for free and reduced-price health care. However, in using health care guidelines, the income guidelines for WIC must be between 100 and 185 percent of the poverty income guidelines. Local agency income guidelines may vary as long as they are based on the guidelines used for free and reduced-price health care (7 CFR section 246.7(d)(1)). The WIC income eligibility guidelines are issued each year in the *Federal Register* and are available on FNS's WIC web site (<http://www.fns.usda.gov/wic>).

Income Eligibility Determination - Except for applicants determined to be automatically income-eligible, income is based on gross income and other cash readily available to the family or economic unit. Certain Federal payments and benefits are excluded from the computation of income. In addition, the State agency may exclude housing allowances received by military services personnel residing off military installations or in privatized housing, whether on or off-base (7 CFR section 246.7(d)(2)(iv)(A)(1)). The State agency also may exclude any cost-of-living allowance provided to military personnel who are on duty outside the contiguous States of the United States (7 CFR section 246.7(d)(2)(iv)(A)(2)). At a minimum, in-stream (away from home base) migrant farm workers and their families with expired Verification of Certification cards shall meet the State agency's income standard provided that the income of the family is determined at least once every 12 months (7 CFR section 246.7(d)(2)(ix)).

An Indian State agency, or a State agency acting on behalf of an Indian local agency, may submit reliable data that proves to FNS that the majority of Indian households in a local agency service area have incomes at or below the State agency's income guidelines. In such cases, FNS may authorize the State agency to permit the use of an abbreviated income screening process whereby an applicant affirms, in writing, that his/her family income is within the State agency's prescribed guidelines (7 CFR section 246.7(d)(2)(viii)).

State agencies may instruct local agencies to consider family income over the preceding 12 months or the family's current rate of income, whichever indicator more accurately reflects the family's income status. However, applicants in which an adult member is unemployed shall have income determined based on the period of unemployment. A State or local agency may require verification of information which it determines necessary to confirm income eligibility (7CFR sections 246.7(d)(2)(i) and (v)).

- d. **Nutritional Risk** - A competent professional authority (e.g., physician, nutritionist, registered nurse, or other health professional) must determine that the applicant is at nutritional risk. While the broad guidelines for determining nutritional risk are set forth in WIC legislation and regulations, the specific allowable nutritional risk criteria are defined in WIC policy guidance, which is updated periodically. Each State agency may choose which allowable nutritional risk criteria will be used to determine eligibility. At a minimum, the certifying agency must perform and/or document measurements of each applicant's height or length and weight. In addition, a hematological test for

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

anemia must be performed or documented at certification if the applicant has no nutritional risk factor prescribed by the State agency other than anemia. Certified applicants with qualifying nutritional risk factors other than anemia must also be tested for anemia within 90 days of the date of certification. Program regulations set several exceptions to these general rules. The determination of nutritional risk may be based on current referral data provided by a competent professional authority who is not on the WIC staff (7 CFR sections 246.2 (definitions of “competent professional authority” and “nutritional risk”) and 246.7(e)).

When an applicant meets all eligibility criteria, he/she is determined by WIC clinic staff to be eligible for program benefits. Certification periods are assigned to each participant based on categorical status for women, infants, and children (7 CFR section 246.7(g)).

A WIC local agency assigns each eligible person a priority classification according to the classification system described in 7 CFR section 246.7(e)(4). A person’s priority assignment reflects the severity of his/her nutritional risk. If the local agency cannot immediately place the person on the program for lack of an available caseload slot, the person is placed on a waiting list. Caseload vacancies are filled from the waiting list in priority classification order. State agencies are expected to target program outreach and caseload management efforts toward persons at greatest nutritional risk (i.e., those in the highest priority classifications).

Pregnant women are certified for the duration of their pregnancy and for up to six weeks postpartum. Breast-feeding women may be certified for six-month intervals ending with the breast-fed infant’s first birthday. Infants are certified at intervals of approximately six months, except that infants under six months of age may be certified for a period extending up to the child’s first birthday, provided the quality and accessibility of health care services are not diminished. Children are certified for six-month intervals ending with the month in which the child reaches the fifth birthday. Non-breast-feeding women are certified for up to six months postpartum.

Condition

Information concerning eligibility of individuals who live in the Southern Delaware region is managed in a database controlled by the Southern Tier. However, the Southern Tier does not maintain supporting documentation related to these individuals. Approximately 40% of all eligible participants live in the Southern Delaware region.

Cause

The WIC Program does not maintain supporting documentation for eligible participants for the full fiscal year.

Effect

It is possible that ineligible participants exist in the program.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

We recommend that the WIC Program maintain supporting documentation for all eligible participants at each site for at least a two-year period.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Joanne White
Agency Contact Phone Number	(302) 739-3671
Corrective Action Plan	A data file of all participants for eligibility testing has been created and is stored at the BIGGS data center. The data is from January 1, 2007 to the present. WIC clinics statewide maintain all documentation in hard copy or online for review. The documentation is maintained two years post audit.
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-08

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technical Assistance

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems that use sampling methods must meet acceptable statistical sampling standards, including:

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for fiscal year 2007 were \$ 3,563,995. Total expenditures for Fiscal Year 2007 were \$ 11,125,073.

We selected the following federal grants within the CDC Grant program for test work:

- Bioterrorism
- Public health surveillance

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section (PHPS), which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

“In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware’s Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated.”

However, the State of Delaware’s Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

Cause

CDC Program management believed that certification at the Public Health Preparedness Program level was in sufficient detail to meet the requirements of OMB Circular A-87.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

The management of Screening for Life is in the process of addressing prior year recommendations.

Effect

Effort reporting did not meet federal requirements.

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

Questioned Costs

Total salaries and benefits for Fiscal Year 2007 are \$3,563,995.

Views of Responsible Officials

Agency Contact Name	Carmen Herrera (SFL Director) Joe Hughes (Public Health Preparedness)
Agency Contact Phone Number	Carmen Herrera: (302) 744-1040 Joe Hughes: (302) 223-1720
Corrective Action Plan	<p>The Preparedness Section has already modified its semi-annual certifications for CDC funded grant positions so that the statement now reads:</p> <p>"In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hours work week to activities and duties directly relating to the Public Health Emergency Preparedness Cooperative Agreement."</p> <p>Quarterly certifications have been implemented for the Screening for Life program. The Public Health Preparedness section is implementing this semi-annual certification.</p>
Anticipated Completion Date	Corrected.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Public Health

Reference Number: 07-DPH-09

Program: 93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs

Criteria

The Secretary of Health and Human Services, acting through the Director of the Centers for Disease Control and Prevention, may make grants to States on the basis of an established competitive review process for the purpose of carrying out programs to:

- (1) Screen women for breast and cervical cancers as a preventive health measure;
- (2) Provide appropriate referrals for medical treatment of women screened pursuant to paragraph (1) and to ensure, to the extent practicable, the provision of appropriate follow-up services and support services such as case management;
- (3) Develop and disseminate public information and education programs for the detection and control of breast and cervical cancers;
- (4) Improve the education, training, and skills of health professionals (including allied health professionals) in the detection and control of breast and cervical cancers;
- (5) Establish mechanisms through which the States can monitor the quality of screening procedures for breast and cervical cancers, including the interpretation of such procedures; and
- (6) Evaluate activities conducted under paragraphs (1) through (5) through appropriate surveillance or program-monitoring activities

(42 USC § 300k.)

The Minimum Data Elements (MDE's) are a set of standardized data elements developed to ensure that consistent and complete information on screening location, patient demographic characteristics, screening results, diagnostic procedures, tracking and follow-up, and treatment information are collected on women screened and/or diagnosed with NBCCEDP funds. These are the data items that are minimally necessary for NBCCEDP-sponsored Programs and the CDC to monitor clinical outcomes (NBCCEDP Policies and Procedures Manual, III-1).

Public Law 101-354 requires:

- A non-federal share match of \$1 for every \$3 of federal support for NBCCEDP. In making a determination of the amount of non-federal contributions for this purpose, only non-Federal contributions in excess of the average amount of non-Federal contributions made by the State in the 2-year period preceding the first fiscal year for which the State is applying will be included (42 USC § 300l)
- A limit on administrative costs of no more than 10% of costs (42 USC § 300n(f))

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Additionally, per cooperative agreement U55/CCU321881, carry forward of funds from one budget period to the next must be requested by the State, and an annual SF-269 report is due at the conclusion of each budget period.

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate.
- Reviewing and changing as appropriate State appropriation codes and fiscal years.
- Reviewing suspended items for propriety and changing status as appropriate.
- Reviewing claims denied for propriety and changing status as appropriate.

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total breast/cervical screening claims paid with federal funds for the year ended June 30, 2007 were \$582,149. This amount impacts other financially related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$11,125,073.

Cause

The Screening for Life (SFL) Program experienced significant turnover in key personnel from 2002-2005. The maintenance of the SFL application was not a priority during this time.

We recommended in the prior year that the SFL Program implement a secure application that accurately and appropriately processes SFL claims data in accordance with program regulations. Per the Summary Status of Prior Year Findings, corrective action is in process and has not yet been completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Effect

Inability of SFL personnel to effectively and efficiently process SFL claims and related financial information.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Screening for Life database to a server modular based application.

Questioned Costs

Total cancer screening claims paid under the NBCCEDP for state Fiscal Year 2007 of \$582,149.

Views of Responsible Officials

Agency Contact Name	Carmen Herrera
Agency Contact Phone Number	(302) 744-1040
Corrective Action Plan	Screening for Life (SFL) will perform long-running upgrade of existing system. This upgrade will occur during the next three fiscal years.
Anticipated Completion Date	January 2011

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Social Services

Reference Number: 07-DSS-01

Program: 93.667 Social Services Block Grant

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Period of Availability

Criteria

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §____.23; OMB Circular A-110, §____.28).

Social Services Block Grant (SSBG) funds, including those awarded under the additional FY 2006 allotment, must be expended by the State in the fiscal year allotted or in the succeeding fiscal year (42 USC1397a(c)).

Condition

For 9 of 40 expenditures selected for testing, we noted that the funds were expended subsequent to the period of availability for the respective grant awards (2002 and 2003 grant years). We also noted that the Division was unable to provide a waiver from the federal cognizant agency supporting an extension of the period of availability.

The total dollar value of the 9 transactions was \$73,743. Total transactions processed by the program for the 2002 and 2003 grant awards were \$643,648 for the Fiscal Year ended June 30, 2007, which were outside of the period of availability.

Cause

Lack of monitoring controls in place to ensure compliance with period of availability requirements for each federal award.

Effect

Funds were expended outside of the period of availability.

Recommendation

The program should enhance their policies and procedures to monitor all federal awards to determine the period of availability and expend funds within that set time frame, or obtain approvals for extension from the federal cognizant agency before the period of availability expires.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Questioned Costs

Questioned costs are \$643,648.

Views of Responsible Officials

Agency Contact Name	Thomas Jones
Agency Contact Phone Number	(302) 225-9601
Corrective Action Plan	The funds were obligated during the period of availability. In FY 2002, the state incurred and paid approximately \$38 million in child care obligations. In FY2003, the state incurred and paid approximately \$39 million in child care program obligations. Any of these obligations were eligible for SSBG funding. The State did not actually draw down the SSBG funds to which it was entitled because the bills were initially paid with state funds with the expectation that we would get our federal reimbursement from the SSBG grant at a later time. But the obligations were incurred and the bills paid during the period of availability. We will seek clarification from our SSBG oversight agency.
Anticipated Completion Date	June 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Social Services

Reference Number: 07-DSS-02

Program: 93.596 Child Care Cluster

93.558 Temporary Assistance for Needy Families

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting, Level of Effort

Criteria

Child Care

Reporting

ACF-696, *Child Care and Development Fund Financial Report (OMB No 0970-0163)* is due quarterly from States and territories. The ACF-696T, *Child Care and Development Fund Financial Report for Tribes (OMB No. 0970-0195)* is required from tribes. These reports are in lieu of the SF-269, *Financial Status Report*. Each fiscal year's expenditure report must be separate, therefore, multiple reports may be required if awards from more than one Fiscal Year are expended in a given quarter. Any funds transferred from TANF are treated as Discretionary Funds for reporting on the ACF-696 (42 USC 604(d); 45 CFR section 98.54(a)).

Level of Effort

If a State requests Matching Funds (CFDA 93.596), State MOE (non-Federal) funds for child-care activities must be expended in the year for which Matching Funds are claimed in an amount that is at least equal to the State's share of expenditures for Fiscal Year 1994 or 1995 (whichever is greater) under former Sections 402(g) and (i) of the Social Security Act (42 USC 618). Private or public donated funds may be counted as State expenditures for this purpose.(45 CFR section 98.53).

No more than 20 percent of the MOE requirement may be met with State expenditures for pre-kindergarten services. The same expenditure may not be used for both MOE and matching purposes (45 CFR sections 98.53(d) and 98.53(h)).

Temporary Assistance for Needy Families

ACF-196, *TANF Financial Report (OMB Control No. 0970-0247)* – States are required to submit this report quarterly in lieu of the SF-269, *Financial Status Report*. Each State files quarterly expenditure data on the State's use of Federal TANF funds, State TANF MOE expenditures, and State expenditures of MOE funds in separate State programs. If a State is expending Federal TANF funds received in prior fiscal years, it must file a separate quarterly TANF Financial

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Report for each fiscal year that provides information on the expenditures of that year's TANF funds. States that received Federal Contingency Funds under section 3 of Pub. L. No. 109-68 will report expenditures on line g. of the current TANF ACF-196 Financial Report form.

Condition

Child Care

The Division was not able to provide supporting documentation from the Delaware Financial Management System (DFMS) to support the amounts reported in the ACF 696 for grant year 2006 and 2005 expenditures made during Fiscal Year 2007. The unsupported amount for the ACF 696 reports was \$2,235,318. In addition, due to the lack of supporting documentation for the amounts presented on these reports, we were not able to test compliance with the level of effort requirements.

Temporary Assistance for Needy Families

The Division was not able to provide supporting documentation from the Delaware Financial Management System (DFMS) to support the amounts reported in the ACF 196 for grant year 2005 and 2003 expenditures made during Fiscal Year 2007. The unsupported amount for the ACF 196 reports was \$5,601,361.

Cause

Management did not maintain copies of the supporting documentation and was not able to provide data from the DFMS system for the time period in question.

Effect

Certain amounts reported on the ACF 696 and ACF 196 for Child Care and TANF, respectively, cannot be validated for accuracy. Also, due to the lack of support, we were unable to verify compliance with the level of effort requirements for the Child Care program.

Recommendation

We recommend that management maintain copies of supporting documentation for all reports required by the grant.

Questioned Costs

Questioned costs are not determinable.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Thomas Jones
Agency Contact Phone Number	(302) 255-9601
Corrective Action Plan	Program and fiscal staff from DHSS will meet to discuss reporting and program requirements. Anticipated changes include improving collaboration to ensure that the information on Federal Aid Master submitted for programs corresponds to reporting requirements. We will also be identifying additional staff who will review reports prior to submittal to confirm report and program compliance.
Anticipated Completion Date	June 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Social Services

Reference Number: 07-DSS-03

Program: 93.767 State Children's Health Insurance Program

Type of Finding: Significant Deficiency

Compliance Requirement(s): Eligibility

Criteria

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

According to Section 4.1.3 of the Delaware Healthy Children Program State Plan:

Eligibility will be established using gross income of all immediate family members living in the same household with a standard \$90 disregard per earner, a disregard for the amount of actual child care expenses up to \$175 for children age 2 and above and \$200 for children under age two. In addition, there will be a disregard of the first \$50 of child support for any potentially eligible children. The resultant countable income will be compared to 200% of the FPL for a family the size of those in the immediate family with one exception (a pregnant woman will count as two [2] people for determining the FPL level to use). Income less than or equal to 200% of the FPL will qualify the children for eligibility for The Delaware Healthy Children Program. (The State is considering allowing a buy-in for families with incomes between 200% and 300% of the FPL with payment of the full capitation amount as their premium as part of a State-supported initiative.) "Immediate family" is defined as a unit (living in the same household) comprised of various adults who are legally/financially responsible for each other, and various children (related or unrelated) for whom the adults have legal responsibility or for whom the adults have accepted parental-like responsibility. This is the same definition that is used for Medicaid eligibility.

Condition

For one of 15 participants selected for eligibility test work, a recipient had income above the eligibility requirements that are stipulated in the State's plan. This recipient was still included in the State's system as an eligible participant. There were no benefits received by this individual for the year ended June 30, 2007.

Cause

The recipient had made an error in completing the forms required to participate in the State's system for welfare.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Effect

An ineligible individual may have been permitted State Children's Health Insurance Program (SCHIP) benefits.

Recommendation

We recommend that the Division enhance their policies and procedures to ensure that applications are reviewed and income eligibility is verified before the applicant is entered into the system and awarded benefits.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	(302) 255-9580
Corrective Action Plan	<p>There is a problem with the display in the DCIS "Benefits Issued" screen as it will not show that the case was issued SCHIP for the eligible time periods. Information Systems Analyst indicates that a correction (PCR) needs to be written and programmed for this screen.</p> <p>PCR will be written March 2008 and prioritized at monthly PCR meeting.</p>
Anticipated Completion Date	March 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Social Services

Reference Number: 07-DSS-04

Program: 93.558 Temporary Assistance for Needy Families

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Tests and Provisions (Child Support Non-Cooperation)

Criteria

If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

Condition

One out of 7 recipients of TANF that were flagged in DCIS II as “child support non-cooperation” continued to receive TANF benefits. The States policy is to deny all TANF benefits when there are cases of Child Support Non-Cooperation.

Cause

There was a lack of monitoring over the system to assure that all flagged accounts are properly adjusted.

Effect

TANF benefits were not denied to a recipient that was flagged for Child Support Non-Cooperation.

Recommendation

The Division should reinforce its policies and procedures to ensure that benefits are discontinued for cases of Child Support Non-Cooperation.

Questioned costs

Questioned costs are \$3,530, the total benefits received by the participant.

Views of Responsible Officials

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	(302) 255-9580
Corrective Action Plan	There are no case notes or client notices that this client is not cooperating with DCSE. DCIS analyst found that someone on 12/3/99, entered “NO” to the question: “Cooperating” in the Absent Parent windows, but the “Failure” reason was left blank. When this

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>happens, DCIS II will not close the uncooperative TANF client because it needs to set a reason code and it cannot when the Failure reason is blank. We do not know how this happened, nor can we replicate it. Workers are not supposed to be able to continue past a mandatory field without filling it in.</p> <p>The worker, on 1/30/2008, fixed the window to correct the entry to cooperative. Since the client is cooperating, then this appears to be a nine year old system error. A PCR will be written to locate any other TANF cases with error information on this "Absent Parent Screen" that needs to be corrected or error may cause ineligible clients to receive TANF benefits for which the family is not entitled.</p>
Anticipated Completion Date	Written in March 2008 and prioritized.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Human Services

Division of Substance Abuse and Mental Health

Reference Number: 07-SAM-01

**Program: 93.959 Block Grants for the Prevention and Treatment of
Substance Abuse**

Type of finding: Noncompliance, Significant Deficiency

Compliance requirement(s): Special Tests and Provisions (Independent Peer Review)

Criteria

Where the State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

Condition

The State has not provided for the provision of the independent peer review to ensure that at least 5 percent of the entities providing services in the State are reviewed.

Cause

The process has not been designed or implemented in the program.

Effect

Treatment service providers have not been incorporated into the quality service procedures that the Department of Health and Social Services has deemed necessary for the quality, appropriateness, and efficacy of treatment services provided to individuals.

Recommendation

We recommend that the Division establish a process to ensure that the independent peer reviews are conducted in accordance with federal requirements. We also recommend that the Division ensure that at least 5 percent of these treatment services are reviewed on an annual basis.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Ben Klein
Agency Contact Phone Number	(302) 255-9153
Corrective Action Plan	<u>Joint Providers Meetings</u> – this is a meeting with clinical supervisors from Substance Abuse and Mental Health (DSAMH) outpatient programs. The group discusses referral process for cases and

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

<p>Corrective Action Plan (continued)</p>	<p>evaluates the effectiveness of the process. Feedback is provided from agency to agency as to the most effective and most client friendly way to communicate and make a seamless transition from program to program when clinically necessary. Joint provider's meetings were held on the following dates: July 5, 2006, October 1, 2006, and January 23, 2007.</p> <p><u>Providers Forum</u> – this is a meeting to which all Substance Abuse providers are invited (contractors and non-contractors). Each agency provides an update on new initiatives as well as client capacity, and availability for more clients. Agencies provide feedback and state concerns they have had in accessing services for clients. Providers are encouraged to provide honest feedback but in a productive and helpful way to make improvements. This has proven to be very beneficial to address concerns with the overall continuum of care since most providers statewide are in the room at the same time. These meetings took place on the following dates in SFY 2007: August 15, 2006, October 17, 2006, and April 10, 2007.</p> <p><u>Periodic Meetings</u> – Three to four times a year, contracted providers are asked to meet with DSAMH program and fiscal staff to review program progress. These meetings address staffing, client services, and programming as well as expenditures/budget. The meetings are facilitated with only one agency at a time. Periodic meetings with our providers were hosted in November 2006 and February 2007.</p> <p>An excerpt from our 2008 block grant application is included below. Our understanding is that SAMHSA has found this to be acceptable. In addition, we require all contractual provider agencies that receive \$500,000 or more in funding through DSAMH to be accredited by JCAHO or CARF. This also helps us meet the federal requirement since these accrediting bodies require peer review.</p> <p>GOAL # 15. An agreement to assess and improve, through independent peer review, the quality and appropriateness of treatment services delivered by providers that receive funds from the block grant (<u>See</u> 42 U.S.C. 300x-53(a) and 45 C.F.R. 96.136).</p>
---	--

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>FFY 2007 (Progress):</p> <p><u>Delaware Health and Social Services</u> <u>Division of Substance Abuse and Mental Health</u> In FY 2004, DSAMH initiated a process to conduct periodic meetings with outpatient and residential treatment contractors. DSAMH achieved its goal in FFY 2005 to expand inclusion to day treatment providers. DSAMH achieved its goal in FFY 2006 to ensure on-going functioning of the meetings into the future. Elements of peer review covered in the meetings are program sharing, best practices, problem resolution, and reporting of successes.</p> <p><u>Department of Services for Children, Youth and Their Families</u> <u>Division of Child Mental Health Services</u> DCMHS was re-accredited by JCAHO for a period of three years, based on a site survey conducted in December 2004. JCAHO re-accreditation as a Managed Care Organization is based in part on the accreditation status of network providers or the results of monitoring by the organization. All scheduled substance abuse providers were monitored and completed corrective actions requested. JCAHO has decided to discontinue accreditation to Managed Care Organizations however after careful consideration to accreditation bodies DCMHS has decided to pursue accreditation with the Commission on Accreditation of Rehabilitation Facilities (CARF) March 2007. DCMHS is preparing for this accreditation and preparing all substance abuse providers which will have to be reviewed during DCMHS accreditation process.</p> <p>DCMHS conducts quarterly meetings with all treatment providers to share information on current activities and initiatives, emphasizing implementation of Integrated Service Planning and “best practices” in treatment and in client safety.</p> <p>FY 2008 (Intended Use):</p> <p><u>Delaware Health and Social Services</u> <u>Division of Substance Abuse and Mental Health</u> In FY 2004, DSAMH initiated a process to conduct periodic meetings with outpatient and residential treatment contractors. DSAMH achieved its goal in FFY 2005 to expand inclusion to day treatment providers. DSAMH achieved its goal in FFY 2006 to</p>
---------------------------------------	---

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	ensure on-going functioning of the meetings into the future. Elements of peer review covered in the meetings are program sharing, best practices, problem resolution, and reporting of successes. <u>Department of Services for Children, Youth and Their Families</u> <u>Division of Child Mental Health Service</u> DCMHS will continue to monitor programs and train on CARF standards.
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Social Services

Division of Substance Abuse and Mental Health

Reference Number: 07-SAM-02

Program: 93.959 Block Grant for the Prevention and Treatment of Substance Abuse

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be allocable to Federal awards under the provisions of this Circular.
- Be adequately documented.

Condition

Administrative costs are allocated to the Block Grant for the Prevention and Treatment of Substance Abuse on the basis of total funding available from various funding streams rather than actual usage of these services (i.e., Attorney General charges) by the program. The allocation process was not corrected in fiscal year 2007 by the program.

Total non-payroll costs other than contractual services charged to the cluster for Fiscal Year 2007 were \$20,245.

Cause

Administrative expenses have historically been charged on the basis of availability of funding streams rather than actual usage.

Effect

Amounts allocated to the Block Grants may be disproportionate to the benefit received by the program from the goods or services provided.

Recommendation

We recommend that the Division develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program.

Questioned Costs

Questioned costs are \$20,245.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Ben Klein
Agency Contact Phone Number	(302) 255-9153
Corrective Action Plan	The documents associated with the questioned costs of \$20,245.00 were not reviewed to determine the method of allocation used. This is a prior year finding where a pilot allocation method was in place for a portion of Fiscal Year 2007. The final allocation method will be in place for the entire Fiscal Year 2008.
Anticipated Completion Date	Completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Health and Human Services

Division of State Service Centers

Reference Number: 07-SSC-01

Program: 93.568 Low Income Home Energy Assistance Program

Type of finding: Material Noncompliance, Material Weakness

Compliance requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's Fiscal Year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

Although the Low-Income Home Energy Assistance Program (LIHEAP) identifies the Federal law and regulations that govern the Early Start Program for its subrecipient it does not provide the CFDA title and number, the award number, and the name of the Federal agency as part of the grant agreement. The State Contract Policies and Procedures is a resource that provides the policies, procedures, and guidelines to promote sound business decisions and practices in securing necessary services for the State and should assist in the writing of grant documents to properly comply with Federal regulations for subrecipient grants.

LIHEAP's policy is to perform an annual review of both the fiscal and program activities at the subrecipient in order to meet the requirements noted in the criteria section above. For the subrecipient selected for testwork, there was evidence of program review and testing, however the Division could not provide evidence of any monitoring of the fiscal activities. We were also not able to assess the level of testing that should have been performed by management as management had not performed a risk assessment on the subrecipient.

In addition, we noted that the cooling segment of the LIHEAP program is not included in the monitoring procedures and has not been included in the automated eligibility database used by Catholic Charities, the subrecipient that receives the majority of LIHEAP funds, for the full Fiscal Year ended June 30, 2007.

Total expenditures made to subrecipients for the Fiscal Year ended June 30, 2007 were \$7,170,475.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Cause

LIHEAP has not fully implemented policies and procedures pertaining to subrecipient monitoring activities.

It was recommended in prior years that the LIHEAP Program incorporate the cooling component of its program into the eligibility database. Per the Summary Status of Prior Year Findings, corrective action is in process and has not yet been completed.

Effect

LIHEAP did not fulfill its responsibilities related to subrecipient monitoring and follow-up.

Recommendation

We recommend that LIHEAP enhance its current policies and procedures over subrecipient monitoring, specifically the during-the-award monitoring (i.e., performance reports, site visits, etc.), to ensure that its subrecipients are complying with program laws, regulations, and grant award provisions and that its performance goals and objectives are being achieved. We also recommend that LIHEAP ensure that all required award information is properly communicated to the subrecipient as required.

Management should also perform a risk assessment of the subrecipient to determine the level and extent of testing over the direct and material compliance requirements as required by Circular A-133. In addition, we continue to recommend that the LIHEAP Program implement its corrective action plan, which includes adding the cooling component to the automated database (CAPTAINS).

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Gloria Upshur
Agency Contact Phone Number	(302) 225-9672
Corrective Action Plan	LIHEAP program policies and procedures will be updated to include the cooling segment as well as documentation of monitoring the sub recipient's fiscal activities along with the sub recipient's program activities, beginning with the new contract period effective July 1, 2008. The federal regulations contained in OMB Circular A-133 will be included in the grant agreement with the sub recipient, beginning with the new contract year effective July 1, 2008. Division management will develop a risk assessment instrument by the end of State Fiscal Year 2008; to begin utilizing said instrument during State Fiscal Year 2009. The cooling segment of LIHEAP will become part of the automated database (Captains) utilized by the sub recipient, by the end of State Fiscal Year 2009.
Anticipated Completion Date	June 2009

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Labor

Reference Number: 07-DOL-01

Program: 17.258, WIA Cluster

17.259,

17.260

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled (OMB Circular A-87, Attachment B.8.h.6).

Condition

In the prior year, we recommended that DOL implement an ongoing annual time study approved by the U.S. Department of Labor to allocate payroll to the various grants accordingly. We noted that the DOL continued to allocate time to the federal Workforce Investment Act (WIA) Program grants automatically based on budgeted amounts rather than according to actual effort during the Fiscal Year ended June 30, 2007.

Starting October 1, 2007, we understand that the DOL implemented a new salary allocation system, Autotime, to track actual time and effort of employees working on federal grants. The reports generated from this system are being reconciled to budgeted amounts, and the reconciliation is used to produce adjustments to the accounting system in a timely manner. The new salary allocation system was approved by the US DOL, Employment and Training Administration Grant Officer in the Final Determination Letter issued January 2008 for Audit Report No.: 21-07-529-03-390.

We also noted that in November 2007, the DOL, as part of its corrective action plan, developed a methodology to determine the correct amounts that should have been charged to the various grants for fiscal years 2006 and 2007 and prepared documentation of their analysis of actual time worked versus budgeted amounts. The final payroll analysis of actual effort versus budget resulted in a net overcharge to the grants of \$76,868 for the Fiscal Year ended June 30, 2007, and a net undercharge of \$157,030 for the prior Fiscal Year ended June 30, 2006. The methodology implemented by the DOL appears reasonable; however, the amounts were not audited. The US DOL, Employment and Training Administration Grant Officer also approved the methodology in the Final Determination Letter issued January 2008 for Audit Report No.: 21-07-529-03-390.

Total payroll costs charged to the grant for the year ended June 30, 2007 totaled \$1,815,680.

Cause

We noted that the U.S. Department of Labor (USDOL) requires the creation of One Stop centers where individuals can come and for all DOL services but that the One Stop centers are funded under different federal grants. One Stop employees spend time making the determination of an individual's eligibility prior to knowing for which programs the individual is eligible. The individual may be eligible for any number of programs and grants. WIA is a demand driven program, in that as individuals enter a One Stop location they have the right to service and WIA has the responsibility to provide service regardless of funding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Per DOL's Summary Status of Prior Year Findings, the prior year recommendations were not implemented until Fiscal Year 2008.

Effect

DOL was not in compliance with federal allowability guidelines to allocate time to grants based on actual and not budgeted amounts during the Fiscal Year ended June 30, 2007.

Recommendation

We acknowledge that DOL has started using the approved salary allocation system on October 1, 2007, as part of its corrective action plan to allocate payroll to the various grants based on actual time worked by the employees. We recommend that DOL use the approved methodology of analyzing actual effort against budgeted amounts for the first quarter of Fiscal Year 2008 (July 1, 2007 through September 30, 2007) and make any necessary adjustments to the WIA grants.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	We will use the approved methodology to reconcile payroll charges for the 1 st Quarter FY08 and continue to use the Autotime system making necessary adjustments quarterly. Expenditure Correction No. 09200207447, correcting the \$76,868 overcharge, was processed through the State of Delaware, Department of Finance, Division of Accounting on 2/29/08. The \$76,868 personnel cost has been charged to the appropriate funding source.
Anticipated Completion Date	On or before June 30, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Natural Resources and Environmental Control

Reference Number: 07-DNR-01

Program: 97.029 Flood Mitigation Assistance

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

DNREC expends the majority of its Flood Mitigation Assistance funds to subrecipients. During our test work procedures, we noted that DNREC was not complying with subrecipient monitoring requirements. DNREC does not have a formal written policy outlining the procedures necessary for compliance with subrecipient monitoring. As a result, the agency was not able to provide evidence of any on-site reviews, follow up visits, or any other off-site monitoring performed during the year. In addition, DNREC did not receive or review the applicable A-133 Single Audit reports from its subrecipients in order to determine if management responses or corrective actions were necessary. Finally, the match requirement is met with funds provided by the subrecipient; however, DNREC did not ensure that the match is in conformity with the grant agreement as part of subrecipient monitoring.

Cause

DNREC did not fulfill its pass-through entity responsibilities related to the monitoring of subrecipient activities, including required reporting and follow-up.

Effect

DNREC is not in compliance with federal subrecipient monitoring requirements.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

We recommend that DNREC reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We further recommend that DNREC ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Questioned Costs

Questioned costs are not determinable. A total of \$1,955,301.79 was passed through to subrecipients for fiscal year 2007.

Views of Responsible Officials

Agency Contact Name	Brian M. Leahy, Deputy Principal Assistant
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	<p>In the "Condition" section of the findings report, it is noted that "DNREC does not have a formal written policy outlining the procedures necessary for compliance with subrecipient monitoring." Although this statement is true for the FY2007 period that is covered by this audit, it should be noted that effective FY2008 (7/1/2007) new written policies and procedures necessary for compliance with subrecipient monitoring were implemented and training was provided to the Division's grant programs. This was done as a result of a similar audit finding for the FY2006 audit period.</p> <p>In the "Questioned Costs" section of the findings report, it is stated that "Questioned costs are not determinable" in reference to the \$1,955,301.79 that was passed through to subrecipients for FY2007. As a result of this audit, we have made a thorough analysis of all of the questioned costs. It is our normal practice to require detailed invoices that have been reviewed and signed by the Grant Program staff certifying that the invoice represents costs that are eligible in accordance with the grant project scope of work and applicable State and Federal principles and standards for determining allowable costs. Our analysis has determined that all of the questioned costs are eligible in accordance with the grant project scope of work and applicable State and Federal principles and standards for determining allowable costs.</p> <p>In addition, for all of the covered transactions, we have documented that subrecipients selected are not on the Federal Debarred and Suspended Listing by checking the Extended Parties List System. We have included completed Bid Summary forms in the files for these transactions certifying that this has been done. We have also</p>

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>included reports from the subrecipients detailing whether or not they had any covered transactions and if so, certifying that the contractors are not on the Federal Debarred and Suspended Listing.</p> <p>In addition, of the two subrecipients included in the \$1,955,301.79, one (New Castle Conservation District) had not expended \$500,000 or more in federal awards in FY2007 and therefore did not fall under the audit requirements of OMB Circular A-133. The other subrecipient (New Castle County) did and we have received and reviewed their latest A-133 Single Audit report and have determined that there were no audit findings applicable to this program and that no management responses or corrective actions were necessary.</p> <p>As a result of these actions, we have documented that the \$1,955,301.79 in costs are eligible in accordance with the grant project scope of work and applicable State and Federal principles and standards for determining allowable costs and that they meet the compliance requirement for Procurement, Suspension, and Debarment, Subrecipient Monitoring.</p> <p>In addition, as a result of this audit, we have determined that there are still some gaps in our policies and procedures for subrecipient monitoring, and we agree with the audit recommendation. Therefore, we will reinforce our policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We will also add to our policies and procedures to ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.</p>
Anticipated Completion Date	April 30, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Natural Resources and Environmental Control

Reference Number: 07-DNR-02

Program: 97.029 Flood Mitigation Assistance

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Criteria

FEMA sets forth guidelines in the grant agreement detailing the information to be included in the quarterly performance reports. Each quarterly performance report should include a description of the significant activities and developments that have occurred within the applicable quarter, including a comparison of actual accomplishments to the objectives established in the application. (44 CFR section 78.13)

The report should also include:

- List of communities receiving project subgrants.
- List by address of repetitive loss properties acquired, elevated, or relocated to date under the subgrant for that quarter in each community.
- Detailed description of work in progress for each project, such as: engineering and design, permitting, selecting contractor(s), construction phase activities completed or in progress, and interim/final inspections or certificates.

Condition

DNREC is not properly preparing the quarterly performance reports. DNREC's reports include basic information regarding the project start date and a brief description of the progress of the project. The reports, however, do not include the detailed information required by the grant agreement. In addition, there is no evidence of proper management review and approval of the performance reports.

Cause

As a result of a lack of oversight by management, DNREC is unaware of the FEMA guidelines regarding the quarterly performance reports.

Effect

The quarterly performance reports are not in compliance with the FEMA guidelines set forth in the grant agreement.

Recommendation

We recommend that DNREC prepare the quarterly performance reports in accordance with FEMA guidelines to include all of the required information. We also recommend that management review and sign the quarterly performance reports as evidence of supervisory approval.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Brian M. Leahy
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	We agree with the recommendation and will include all of the required information in the quarterly performance reports in accordance with FEMA guidelines. We have also added signature lines to the report to ensure management review of the reports.
Anticipated Completion Date	January 31, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Office of Management and Budget

Reference Number: 07-OMB-01

Program: 64.005 Grants to States for Construction of State Home Facilities

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Davis-Bacon Act

Criteria

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition

During fiscal year 2007, \$8,610,278 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was 65% federally funded.

Although the Office of Management and Budget was aware that the federal prevailing wage rates applied and the contractors were so informed, the Office of Management and Budget did not have policies and procedures in place to require submission of and monitor certified payrolls.

Cause

Federally-funded construction projects are infrequent for most State agencies, including the Office of Management and Budget.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects.

Effect

Differences between State and Federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to federally funded or jointly funded construction projects.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Office of Management and Budget develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Sandy Stump, Director Management Services
Agency Contact Phone Number	(302) 672-5106
Corrective Action Plan	Policy put in place defining requirements and responsibilities of contractor and OMB personnel.
Anticipated Completion Date	October 17, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Safety and Homeland Security

Delaware Emergency Management Agency

Reference Number: 07-DEM-01

Program: 97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

16.007 Homeland Security Grant Program

97.004

97.067

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for: (1) providing the subrecipient proper award notification, identifying to the subrecipient the federal award information (e.g., CFDA title and number, award name and number, award year, and name of federal agency) and applicable compliance requirements; (2) monitoring the subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal laws, regulations, and the provisions of contract or grant agreements and that the performance goals are achieved; (3) ensuring that a subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year has met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period; issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions (OMB Circular A-133 Compliance Supplement, Part 3, Section M); and (4) evaluating the impact of subrecipient activities on the pass-through entities ability to comply with applicable federal regulations (OMB Circular A-133 Compliance Supplement, Part 3, Section M).

A pass-through entity is also responsible for notifying subrecipients of their obligation to maintain documentation supporting all transactions that utilize federal awards for a period of three years after the year the federal funds are expended (OMB Common Rule, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Subpart C, Section 42 (b)(1)).

Condition

Delaware Emergency Management Agency (DEMA) does not provide all appropriate award information to the subrecipients to ensure that the subrecipient is informed of all compliance requirements within each grant. In addition, DEMA did not monitor all of its subrecipients through reporting, site visits, or regular contact. DEMA had no procedures in place during the 2007 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133, nor did DEMA notify the subrecipients of the audit requirements at the initial award of the subgrant. DEMA also did not have procedures in place to evaluate the impact of subrecipient activities on the pass-through entities' ability to comply with

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

applicable federal regulations. The total grant awards passed through to subrecipients was \$4,501,472 for Public Assistance Grants and \$5,682,980 for the Homeland Security Grant Program.

Cause

DEMA personnel did not perform or document all the monitoring actions as required and outlined in the OMB Circular A-133 Compliance Supplement, Part 3, Section M or OMB Common Rule, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Subpart C, Section 42 (b)(1).

Effect

DEMA did not completely fulfill its responsibilities related to subrecipient OMB Circular A-133 monitoring, reporting, and follow up.

Recommendation

We recommend that monitoring of subrecipients, whether state agencies or external agencies, include the following: (1) proper notification by DEMA at the time of the initial grant award to the subrecipient of the requirement to maintain documentation supporting all transactions related to federal funds for a period of three years after the grant has been closed; (2) periodic monitoring of fiscal requirements and performance of regular site visits and desktop audits to ensure that subrecipients are expending the federal funds awarded properly (including, but not limited to, allowability of costs, cash management, period of availability, reporting and procurement, and suspension and debarment); and (3) providing documentation of all subrecipient monitoring policies and procedures to all staff responsible for the grant.

Questioned Costs

Questioned costs are not determinable.

View of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	<p>Progress has been made to meet this requirement as the Homeland Security Grant Program has established an aggressive site visit program since May 2007. The Public Assistance Grant program also began corrective action to meet these requirements upon receipt of the official findings for the Fiscal Year 2006 single audit.</p> <p>The division is currently doing site visits for all sub-grantees receiving funds from the Homeland Security Grant Cluster. We hope to have all visits completed prior to the initial distribution of the fiscal year 2007 grant funds. As we award sub-grants, the division will perform a site visit within 90 days of the award. Subsequent visits and/or desktop audits will be performed as</p>

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Corrective Action Plan (continued)	<p>necessary depending on the size and scope of the sub-grant.</p> <p>A version of the monitoring checklist used for Homeland Security Grants will be developed and used for Public Assistance Grants. Additionally, we plan to develop a desktop monitoring form as well for both programs.</p> <p>A division monitoring policies and procedures guide will be developed and posted to the division's internal bulletin board.</p> <p>Audit requirements were sent to all subrecipients by the Public Assistance Staff upon receipt of the 2006 Audit findings in July 2007. OMB Circular A-133 requirements are included in the Certification and Assurances Document used for the Homeland Security Program, and developed for the Public Assistance Program. This document is a requirement before any subrecipients receive federal funds through either program.</p>
Anticipated Completion Date	June 30, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Safety and Homeland Security

Delaware Emergency Management Agency

Reference Number: 07-DEM-02

Program: 97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Suspension and Debarment

Criteria

Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (CFR, Part II, "Governmentwide Debarment and Suspension").

Condition

DEMA passes Public Assistance Grant funds through to other local governmental units and nonprofit organizations which are defined as subrecipients. We selected four subrecipients receiving Public Assistance Grant funds for test work. For four of the subrecipients selected for test work, DEMA did not verify that the entity was not suspended or debarred.

Cause

DEMA Public Assistance Grant personnel were not aware of their responsibility to check for subrecipient suspension and debarment.

Effect

DEMA may do business with or transfer equipment to disallowed subrecipients.

Recommendation

We recommend that DEMA add procedures to ensure that the required suspension and debarment verification is obtained from subrecipients at the time of the sub-award.

Questioned Costs

There are no questioned costs associated with this finding; the contracted entities were not on the EPLS based on our audit procedures.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

View of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	<p>DEMA Certification and Assurances documents have all been update to include the suspension and debarment language. The subrecipients are required to sign these certifications prior to DEMA reimbursing them for any expenditure. Our Sole Source letters include the same language.</p> <p>DEMA is going to develop an internal subrecipient spreadsheet to monitor all A-133 requirements. A DEMA employee will be required to check the federal government's Excluded Parties List System web-site and document the date it was checked before providing any subrecipient equipment, services and/or funds.</p>
Anticipated Completion Date	December 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Safety and Homeland Security

Delaware Emergency Management Agency

Reference Number: 07-DEM-03

Program: 16.007 Homeland Security Grant Program

97.004

97.067

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods; and (d) they must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4).

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances (OMB Circular A-87, Attachment B.8.h.5).

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled (OMB Circular A-87, Attachment B.8.h.6).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Condition

Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries is charged to the grant. There are no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. DEMA implemented procedures in the fourth quarter of the current fiscal year to have employees complete an "effort certification" which is used as the basis to adjust budgeted amounts charged to the programs to actual in accordance with the requirements of OMB Circular A-87, Attachment B.11.h.4(e). We selected 40 payroll transactions and noted that DEMA did not update allocation percentages in the PHRST payroll system for any of the items selected for test work.

For four of 40 employees selected for testwork, the related effort reports for the October 14, 2006 pay cycle were not reviewed and approved by the employee's supervisor.

Cause

During fiscal year 2007, management focused its efforts on a portion of the prior year audit findings and in April 2007 implemented a new effort reporting form for employees and supervisors. DEMA did not implement the portion of the prior-year finding that required procedures be implemented to ensure the allocation of effort reporting based on actual hours.

Management did not review and approve (as evidenced by a signature) employee effort reports, as required by DEMA's internal control policies and procedures.

Effect

DEMA is not in compliance with federal allowability guidelines to allocate time to grants based on actual and not budgeted amounts.

Without proper supervisory review and approval of an employee's effort report, the accuracy of the report cannot be validated.

Recommendation

We recommend that DEMA's personnel implement procedures and controls to ensure that the charges to each grant are adjusted on a quarterly basis in the PHRST payroll system to reflect actual effort report. Additionally, DEMA should ensure that the payroll amounts reported in DFMS are adjusted to reflect the correct allocation percentages prior to posting adjustments between budgeted and actual costs to DMFS (adjustments may be made annually per OMB Circular A-87, Attachment B.8.h.5 (e) (ii), as long as the quarterly comparisons conducted by DEMA continue to show the differences between budgeted and actual costs being less than 10%).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Questioned Costs

The questioned costs associated with this finding are undeterminable as there are not sufficient records maintained by the Department as to the actual time spent working on each grant, but the questioned costs could be no more than the total payroll costs charged to the grant as follows:

<u>CFDA No.</u>	<u>Salary Costs</u>	<u>Fringe Costs</u>
97.004	\$ 63,906.48	\$ 26,775.41
97.067	<u>487,594.85</u>	<u>212,224.39</u>
Total	<u>\$551,501.33</u>	<u>\$238,999.80</u>

View of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	DEMA will implement procedures and controls to ensure the charges to each grant are adjusted in the PHRST system to reflect actual effort reports. DEMA will be making any required changes/adjustments on a biweekly basis effective the pay period ending October 13, 2007. DEMA has adjusted the division's biweekly timesheets to allow better documentation of hours worked, and intend to charge the applicable grant at the time the hours are worked. Hours worked from July through September 2007 are to be adjusted via correction document to be completed no later than November 15, 2007. This should alleviate any further problems with effort reporting. DEMA will monitor this closely for the second quarter of the State's fiscal year to insure everything charges correctly.
Anticipated Completion Date	December 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Safety and Homeland Security

Delaware Emergency Management Agency

Reference Number: 07-DEM-04

Program: 16.007 Homeland Security Grant Program

97.004

97.067

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Equipment and Real Property Management

Criteria

A state shall use, manage, and dispose of equipment acquired under a grant by the state in accordance with state laws and procedures (OMB Circular A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency).

Per the State of Delaware Fixed Asset Accounting Policy:

All State organizations are responsible for executing and adhering to fixed asset accounting and reporting policies, guidelines, and standards, which include establishing internal written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines, and standards, and ensuring the timely, accurate, and complete processing and recording of all necessary transactions in conformance with prescribed fixed asset accounting and reporting policies, guidelines, and standards.

Condition

DEMA passes funds through to other State agencies either by procuring equipment and transferring such equipment to the agencies or by providing formal sub-grants to the agencies to procure specialized equipment. For one of two fixed asset selected for testwork, the following items were not properly recorded on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2007 in accordance with the State of Delaware Fixed Asset Accounting Policy:

- State Fire Marshall: Motorola Printrak Livescan Fingerprint Station - \$42,285

Cause

DEMA does not record equipment purchased for other State agencies, other than for vehicles, on the State's FAAS. The appropriate staffs at the applicable State agencies were not notified by the agency personnel obtaining the equipment from DEMA and, as a result, did not record the transferred assets into the State's FAAS.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Effect

The asset noted above is not tracked in the FAAS for purposes of accountability for this equipment, including the State's required biannual inventory.

Recommendation

We recommend that the equipment noted above be appropriately recorded in the FAAS. Additionally, we recommend that DEMA implement procedures to provide notification to other State agencies' fiscal personnel when equipment is transferred to those agencies.

Questioned Costs

There are no questioned costs associated with this finding.

View of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	<p>State of Delaware agencies are required to place any equipment items over \$25,000 on the State's Fixed Asset Accounting System (FAAS). DEMA is recommending to its subrecipients that all equipment purchased with federal funds, and priced over \$5,000, be placed in the State's FAAS as well. DEMA also believes that the State's policy should make this mandatory for all Fund 225 equipment purchases over \$5,000.</p> <p>DEMA is going to develop an internal subrecipient spreadsheet to monitor all A-133 requirements. State agencies will be provided a separate document semi-annually explaining their responsibility for ensuring all equipment over \$5,000 is properly accounted for on an inventory system that includes, but is not limited to, the State's FAAS.</p> <p>DEMA will develop procedures to monitor subrecipient's, which are also other State agencies, compliance in regards to recording assets on the State's FAAS.</p>
Anticipated Completion Date	March 31, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Safety and Homeland Security

Delaware State Police

Reference Number: 07-DSP-01

Program: 16.710 Public Safety Partnership and Community Policing Grants

Type of Finding: Noncompliance

Compliance Requirement(s): Equipment and Real Property Management

Criteria

A state shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. (OMB Circular A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal-awarding agency).

Per the State of Delaware Fixed Asset Accounting Policy:

All State organizations are responsible for executing and adhering to fixed asset accounting and reporting policies, guidelines, and standards, which include establishing internal written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines and standards and ensuring the timely, accurate, and complete processing and recording of all necessary transactions in conformance with prescribed fixed asset accounting and reporting policies, guidelines, and standards.

Condition

The Delaware State Police (DSP) procures and transfers equipment to local municipalities for their use. Of the ten pieces of equipment selected for test work, two items were recorded incorrectly on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2007 in accordance with the State of Delaware Fixed Asset Accounting Policy. The cost of the machine per DSP records is \$42,285; however, the cost recorded on the State's FAAS is \$38,346.

Cause

DSP incorrectly recorded equipment purchased on the State's FAAS. The cost of the equipment per DSP's records does not reconcile to the cost recorded on the State's FAAS.

Effect

The assets noted above are tracked incorrectly in the FAAS for purposes of accountability for this equipment.

Recommendation

We recommend that the cost of the equipment noted above be appropriately adjusted in the FAAS to agree to DSP's records.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Sandra L. Frazier
Agency Contact Phone Number	(302) 739-5953
Corrective Action Plan	Sussanne Jara, Purchasing, has requested documents from Dawn Haw-Young, Finance, indicating the correct unit cost. DSP will update the FAAS to agree to the supporting documentation once the proper information is received.
Anticipated Completion Date	January 28, 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Services for Children, Youth, and Their Families

Reference Number: 07-CYF-01

Program: 93.658 Foster Care – Title IV-E

Type of Finding: Disclaimer of Opinion

Compliance Requirement(s): All

Criteria

Federal regulations require that “The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHSS, DCA), if any of the following events occur:

The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.

A material defect is discovered in the cost allocation plan by the Director, DCA, or the State.

The State plan for public assistance programs is amended so as to affect the allocation of costs.

Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.” (45 CFR §95.509)

The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that “Cost disallowances will be made for inappropriate claims resulting from a State’s failure to comply with its approved cost allocation plan...or its failure to submit an amended plan as required.” (Grants Administration Manual 6-200-50).

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

The report further states that:

“The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.”

And that:

“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”

The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2006 through June 30, 2007), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2007 were \$1,730,760, representing 38% of the total program costs of \$4,554,837.

In Fiscal Year 2006, the federal Health and Human Services Inspector General’s office audited the Department’s allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Cause

Differing interpretations of federal regulations concerning allocable costs.

Effect

Failure to obtain timely approval of the cost allocation plan could result in questioned costs.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred with in a letter dated May 25, 2005 included as an appendix to that report.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	DSCYF had previously submitted a foster care candidacy documentation proposal (on 6/18/04) designed to address issues contained in the report, met with the Region III office (RO) of the DHHS Administration for Children and Families to discuss the proposal (on 3/17/05), on 5/13/05 DSCYF provided answers to questions posed by the RO at the 3/17/05 meeting and requested the RO's approval to run a pilot of the foster care documentation system and subsequently continued to reach out to the RO in order to requesting a follow up meeting to resolve the various issues surrounding the proposal and audit findings. Since DSCYF's response to the FY-06 single audit last year (and building upon the 1/11/07 meeting with the RO), DSCYF has been engaged in extensive exchanges with the RO. As a result, programming of the DSCYF client information system (FACTS) to document foster care candidacy is in the process of being completed after the RO concurred with the methodology proposed by DSCYF. Discussions have been ongoing between DSCYF and the RO regarding the DSCYF random moment time study (RMTS), activity descriptions and related issues. RO concerns have been addressed by DSCYF in response to the RO comments on the RMTS. We are in the process of working through one last item with the RO and upon resolution of that item, all of the changes requested by the RO will be incorporated into a revised DSCYF Cost Allocation Plan (CAP). The revised CAP will be prepared and submitted in 2008 with successful negotiations targeted to be concluded by the end of 2008.
Anticipated Completion Date	2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Services for Children, Youth, and Their Families

Reference Number: 07-CYF-02

Program: 93.658 Foster Care – Title IV-E

Type of Finding: Significant Deficiency

Compliance Requirement(s): Eligibility (Provider Approval)

Criteria

The Title IV-E Foster Care child and provider eligibility requirements as outlined in 45 CFR 1356.71 and Section 472 of the Act; the purpose of which are to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

Condition

During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program. A review of a sample of 80 cases was drawn for the review period October 1, 2005 to March 31, 2006. The review team determined 6 cases were ineligible for federal funding and concluded that Delaware's Title IV-E program was not in substantial compliance with federal child and provider eligibility requirements for the review period.

During Fiscal Year 2007, we tested 60 case files for provider eligibility requirements. Those files included supporting documentation showing compliance with federal child and provider requirements for the year ended June 30, 2007. However, we noted the internal controls surrounding periodic review of the case files were not being performed timely in accordance with State and agency policies.

Per the Summary Status of Prior Year Findings, the Department of Services for Children, Youth and Families (DSCYF) has started to implement action steps and system changes, however, the corrective action is still in process and has not yet been completed.

Cause

The emphasis of the Department of Services for Children, Youth, and Families (DSCYF) is on placing children in need of foster care as quickly as possible.

Effect

Foster care payments may be made to placements that have not met requirements to be an approved foster care provider.

Recommendation

We recommend that DSCYF continue to implement its corrective action plan, which includes enhancement of the controls surrounding foster care provider approval to ensure that approval requirements are met and are periodically reviewed in accordance with State and agency policies.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	302-892-4534
Corrective Action Plan	<p>In response to the findings resulting from the Title IV-E eligibility review conducted in August 2006 and required by ACF, DSCYF submitted a Program Improvement Plan (PIP) to Region III on 12/14/06. Region III provided comments on DSCYF's PIP on 1/04/07 which DSCYF incorporated and resubmitted the PIP on 1/19/07. Region III approved the PIP on 4/5/07. The cited recommendation is addressed in the PIP and the results of the action steps are as follows:</p> <p>A work group was instituted to review the current foster home approval process and make recommendations for change as needed.</p> <p>An annual certificate of approval (consistent with Office of Child Care Licensing - OCCL) was designed and instituted. In lieu of DSCYF implementing a FACTS system change, in consultation and with the concurrence of Region III, the foster home coordinator will send an electronic copy of the annual certificate of approval with the start and end date to the foster parent and a copy will be maintained in the foster home record. There will be no changes in the FACTS system for this activity.</p> <p>Contract and policy changes have been completed and are ready for contracts put in place as of 7/1/08.</p> <p>As stated last year, records will be reviewed biannually to ensure that approvals are being done in a consistent and timely fashion. This will be done starting in the Spring of 2008.</p>
Anticipated Completion Date	Action steps and staff training, etc. are anticipated being completed and implemented by 7/1/08. Biannual reviews will begin in the Spring of 2008.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Department of Transportation

Reference Number: 07-DOT-01

Program: 20.205 Highway Planning and Construction Cluster

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Cash Management

Criteria

Under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act of 1992, codified at 31 USC 6501 and 31 USC 6503, the State of Delaware has entered into a Cash Management Improvement Act Agreement between the State of Delaware and the U.S. Secretary of the Treasury.

All CFDA numbers with expenditures of greater than \$7.54 million are considered Subpart A programs under the jurisdiction of the Treasury-State agreement (note that there is no clustering for purposes of the Treasury-State agreement). All other CFDA numbers (and programs without CFDA numbers) are considered Subpart B programs. For Subpart B programs, "cash advances to the State shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of the cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs" (31 CFR section 205.7 and 205.20). The State of Delaware as a practical matter generally applies the same funding techniques required for its Subpart A programs to its Subpart B programs.

The predominant funding technique for the State is the Composite Clearance method, which is defined in the agreement as follows:

"The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified...The request shall be made in accordance with the appropriate Federal agency cut-off time specified...The amount of the request shall be the sum of the payments issued in the series of disbursements."

A State must submit to [the federal government] an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends...a State must submit a description and supporting documentation for liability claims greater than \$5,000 (31 CFR Part 205.26).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Condition

Similar to the prior year, we noted that the State was not properly complying with the composite clearance method for the Highway Planning and Construction Cluster.

We noted that out of ten draws selected, seven were made five days subsequent the midpoint of the group of composite disbursements, and two were made six days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns included in the sample were \$37,733,961, of which \$28,064,126 were drawn on the fifth day and \$7,493,091 were drawn on the sixth day.

The State reported no interest liability on its annual report for the year ended June 30, 2007.

Cause

The State's Office of Management and Budget (OMB) has overall responsibility for the State's compliance with the Treasury-State agreement, including:

- Negotiation of the Treasury-State agreement,
- Determination of and distribution to program agencies of weighted average days outstanding for programs under the composite clearance method,
- Oversight of the State's cash management activities, and
- Reporting to the federal government regarding annual interest liabilities.

Although the State's OMB continues to work toward implementation of the prior year audit recommendations, there are still no formalized Statewide policies and procedures regarding federal cash management. Agencies have not received copies of the executed Treasury-State agreement. Additionally, there has been no formal training for individuals responsible for federal cash management activities.

Effect

Many agencies, including the Department of Transportation are unclear regarding appropriate application of the terms of the Treasury-State agreement.

The Cash Management Improvement Act interest was 5.02% (0.052) for Fiscal Year 2007, which represents a daily interest rate of 0.01376% (0.0001376).

Recommendation

We recommend that the State's OMB continue with its corrective action plan by implementing the following initiatives:

- Develop Statewide policies and procedures related to federal cash management activities,
- Provide copies of the Treasury-State agreement to each impacted agency, and
- Provide periodic training sessions for individuals responsible for federal cash management activities.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2007

Questioned Costs

Known interest liability due to the federal government calculated based on the noncompliance with the Treasury-State Agreement cited above:

Condition Above	Amount	Days	Interest Rate	Liability
1a.	\$28,064,126	2	.0001376	\$7,723
1b.	7,493,091	1	.0001376	1,031
<u>Total Known Interest Liability Due</u>				<u>\$8,754</u>

The known interest liability due was based on a sample of federal expenditures. A full review of expenditures and clearance patterns would be necessary identify the annual interest liability.

The State reported no interest liability on its annual report for the year ended June 30, 2007.

Views of Responsible Officials

Agency Contact Name	Kathy Baker
Agency Contact Phone Number	(302) 760-2687
Corrective Action Plan	The Department of Transportation is working with the Office of Management and Budget (OMB) to review the current clearance patterns. Adjustments will be made as necessary.
Anticipated Completion Date	To be determined.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2007

Matrix of Findings by Federal Agency

Finding	USDA	DOJ	DOL	DOT	VA	EPA	ED	EAC	HHS	DHS
Prefix	10	16	17	20	64	66	84	90	93	97
07-CJC-01		X								
07-DTC-01							X			
07-DTC-02							X			
07-ED-01							X			
07-ED-02							X			
07-ED-03							X			
07-ED-04							X			
07-ED-05							X			
07-ED-06							X			
07-COE-01								X		
07-COE-02								X		
07-COE-03								X		
07-DHSS-01	X					X			X	
07-DHSS-02	X								X	
07-AGI-01									X	
07-AGI-02									X	
07-CSE-01									X	
07-DMMA-01									X	
07-DMMA-02									X	
07-DMMA-03									X	
07-DPH-01	X								X	
07-DPH-02						X				
07-DPH-03									X	
07-DPH-04									X	
07-DPH-05	X									
07-DPH-06									X	
07-DPH-07	X									
07-DPH-08									X	
07-DPH-09									X	
07-DSS-01									X	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2007

Finding	USDA	DOJ	DOL	DOT	VA	EPA	ED	EAC	HHS	DHS
Prefix	10	16	17	20	64	66	84	90	93	97
07-DSS-02									X	
07-DSS-03									X	
07-DSS-04									X	
07-SAM-01									X	
07-SAM-02									X	
07-SSC-01									X	
07-DOL-01			X							
07-DNR-01										X
07-DNR-02										X
07-OMB-01					X					
07-DEM-01		X								X
07-DEM-02										X
07-DEM-03		X								X
07-DEM-04		X								X
07-DSP-01		X								
07-CYF-01									X	
07-CYF-02									X	
07-DOT-01				X						